

SOUTHEAST ASIA

Australia

I. Summary

Australia is a committed partner in international efforts to combat illicit drugs, and gives high priority to drug-related issues, both internationally and domestically. Australia manages the diverse legal, health, social and economic consequences of drug use through comprehensive and consistent policies of demand and supply reduction and circumscribed harm reduction initiatives. Australia is party to the 1988 UN Drug Convention.

II. Status of Country

Australia is a consumer nation for illicit drugs. There is no evidence indicating that narcotics destined for the U.S. are transiting Australia. U.S. and Australian law enforcement agencies have excellent cooperation on narcotics matters. While domestically produced marijuana is the most abused drug in Australia, the use of MDMA (ecstasy) and methamphetamine has risen drastically in the past few years. The UN 2005 World Drugs Report indicated that Australia has one of the highest rates of MDMA and methamphetamine abuse in the world. There are also indications that the use of cocaine has increased throughout Australia in recent years. Although the use of heroin has declined since 2000, law enforcement and health officials continue to aggressively target heroin trafficking and abuse.

III. Country Actions Against Drugs in 2005

Policy Initiatives. The Federal Government continues to vigorously pursue policies that attempt to both prevent and treat illegal drug use. Launched in 1997, Prime Minister Howard's National Illicit Drug Strategy outlines a program to address drug issues. Australia has committed more than US\$750 million (AU\$1 billion) to the Strategy. (NOTE: Throughout this report, figures are in U.S. dollars, calculated at an exchange rate of A\$1 equals U.S. \$0.75) Since 2002, following the Federal Government's creation of the Australian Crime Commission, state and federal investigators have increased their cooperation, bolstered their enforcement responses to serious crimes such as drug trafficking, and improved prosecution at the appropriate state or federal level. The Federal government committed an additional \$187.4 million in 2003 to its program to reduce the supply of, and demand for, illicit drugs.

In 2004, the Australian government instituted a national program to educate customs officers, container examiners and other law enforcement personnel on the inputs and precursor chemicals used in the creation of synthetic narcotics. The government is supporting private industry's attempt to develop a pseudoephedrine product that cannot be used as a precursor chemical for methamphetamine. There is an ongoing campaign to prevent illegal sales of pseudoephedrine in Australia. On January 1, 2006 legislation tightening the access to pseudoephedrine on a national level will go into effect. In August 2005, the Australian Minister of Justice announced the implementation of the National Strategy to Prevent Diversion of Precursor Chemicals. The Australian government has committed \$4.1 million to prevent the diversion of legitimate chemicals like pseudoephedrine into the manufacture of illicit drugs.

Accomplishments. The Australian government continues to implement extensive multi-faceted programs to combat drug trafficking and use in Australia. Throughout 2005, Australian law enforcement officials seized record amounts of ecstasy and crystal methamphetamine. These seizures were consistent with the reported increased use of these drugs throughout Australia. State Police

agencies continue to report increases in the number of clandestine methamphetamine labs seized throughout the country, along with the seizure of several large-scale MDMA labs. The agencies believe that the level of sophistication in many of these labs has advanced. Australian efforts to control the availability of the precursor chemical pseudoephedrine have led to the increase in illegal bulk pseudoephedrine import attempts into Australia. In August 2005, Australian law-enforcement seized 400 kilograms of pseudoephedrine in a shipment of ceramic products from Vietnam. In 2005, law enforcement officials successfully completed several high profile investigations targeting Vietnamese organized crime groups operating sophisticated hydroponic marijuana growth sites. The trial for defendants arrested as a result of the April/May 2003 seizure of 125 kilograms of heroin from the North Korean cargo vessel MV Pong Su began in January 2005 and is on-going and scheduled to be completed in early 2006.

Law Enforcement Efforts. Australian law enforcement agencies continued their aggressive counternarcotics efforts in 2005. Responsibility for these activities is divided among the Federal government—primarily the Australian Federal Police (AFP), the Australian Customs Service (ACS), the Australian Crime Commission (ACC) and the Therapeutic Goods Administration (TGA)—and state/territorial police services throughout the country. In recent years, the AFP has restructured its liaison network, which has led to a slight reduction of officers and overseas posts, in order to better focus on transnational crime, including drug trafficking, terrorist activities and people smuggling. The AFP currently maintains more than 60 officers in 30 overseas liaison posts in 25 countries to assist in narcotics investigation. AFP Liaison Officers, particularly those in the Pacific Islands and throughout Asia, also assist local law enforcement agencies in training and institution building. The AFP and other Australian law enforcement agencies continue to have close working relationships with U.S. agencies including the DEA and FBI.

Corruption. The Australian Government is vigilant in its efforts to prevent narcotics-related corruption. There is no indication of any senior official of the government facilitating the production or distribution of illicit drugs or aiding in the laundering of proceeds from such activities. Although some state police officers have been investigated and tried for drug-related corruption, corruption is not common or widespread.

Agreements and Treaties. The U.S. and Australia cooperate extensively in law enforcement matters, including drug prevention and prosecution, under a bilateral mutual legal assistance treaty and an extradition treaty. The USG has a Customs Mutual Assistance Agreement (CMAA) with Australia. Australia is a party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 UN Single Convention as amended by its 1972 Protocol. Australia is a party to the UN Convention against Transnational Organized Crime and its protocols against migrant smuggling and trafficking in persons. Australia also is a party to the UN Convention Against Corruption.

Cultivation/Production. Cannabis is the only significant illicit drug cultivated in Australia. The use of hydroponic growth sites has been increasing throughout the country in recent years. The cannabis grown in Australia is primarily destined for the domestic market and there is no evidence that Australian marijuana reaches the U.S. in any significant quantity. Australia has a well-established and controlled licit opium crop (13,000 hectares) on the island of Tasmania. Although recent significant seizures of foreign produced methamphetamine have revealed a change in trafficking patterns, a large amount of amphetamine and methamphetamine consumed in Australia is produced in small, often mobile, domestic clandestine laboratories.

Drug Flow/Transit. Historically, Australia has been the target for Asian-based criminal groups trafficking in heroin. This trend is continuing and many of these organizations are also involved in the trafficking of methamphetamines into Australia. The primary source for heroin in Australia continues to be the Golden Triangle area of Laos, Burma and Thailand. Ecstasy consumed in Australia is

primarily imported from Europe with some shipments transiting Asia prior to arrival in Australia. South American cocaine trafficking organizations are utilizing the improved transportation/commercial links between Australia and South America to facilitate the smuggling of cocaine. Couriers from South America are intercepted at international airports on a regular basis. There has been a steady increase in couriers transiting South Africa to convey cocaine into Australia.

Domestic Programs. The Federal Government has continued to pursue an aggressive policy to prevent and treat drug use. The Prime Minister's National Illicit Drug Campaign committed the equivalent of \$4 million to drug prevention programs in schools and \$40 million for compulsory education and a treatment system for drug offenders. Under Australian law, the Federal Government has responsibility for national health and crime issues, while the States and Territories have responsibility for the delivery of health and welfare services. The Ministerial Council on Drug Strategy brings together Federal, State and Territory Ministers responsible for health and law enforcement to determine national policies and programs to reduce the harm caused by drugs in Australia.

Although the Federal Government opposes supervised injecting rooms, the legal authority to provide injecting rooms rests with the health and law enforcement agencies in the States and Territories. In May 2001, the State of New South Wales passed legislation to permit the licensing and operation of an injecting center for a trial period of 18 months. This trial period has been extended to October 2007. The center, which is now in operation, provides for medically supervised heroin injections. The Australian Capital Territory has passed similar legislation but has not opened an injection center.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. U.S. counternarcotics activities in Australia feature strong ongoing U.S.-Australian collaboration in investigating, disrupting, and dismantling international illicit drug trafficking organizations. In mid-2002, the U.S. and Australia signed a Memorandum of Understanding to outline these objectives.

Bilateral Cooperation. Cooperation between U.S. and Australian authorities is excellent.

The Road Ahead. Australia shows no sign of lessening its commitment to the international fight against drug trafficking. Australian counternarcotics efforts throughout Asia and the Pacific Islands continue to be extremely robust. The U.S. can expect strong bilateral relations with Australia on counternarcotics issues. The two countries will continue to work closely in support of the UN Drug and Crime Program and other multi-lateral fora.

Burma

I. Summary

Burma is the world's second largest producer of illicit opium, accounting for more than 90 percent of Southeast Asian heroin. Even so, Burma has just a small share of worldwide heroin, given Afghanistan's exceptionally large opium/heroin production. Burma is also a primary source of amphetamine-type stimulants (ATS) in Asia. Annual production of opium has declined over the past ten years and is now at less than 20 percent of mid-1990 peak levels. In 2005, Burma produced an estimated 380 metric tons of opium, less than eight percent of the opium produced in Afghanistan. Burma's opium poppy is grown predominantly in the "Golden Triangle" border region of Shan State in areas near the borders of China, Laos, and Thailand that are controlled by former insurgent groups (less than one percent of Burma's poppy crop is grown outside of Shan State).

Cultivation by ethnic Wa hill tribesmen along the Chinese border accounts for 40 percent of Burma's total poppy crop, down from 55 percent in 2004. The decline in that area was accompanied by a resurgence in poppy cultivation in southern and eastern Shan State. Nonetheless, major Wa traffickers continue to operate with impunity and the government has been unable or unwilling to curb drug activities conducted by the United Wa State Political Leadership (UWSP) a criminal group controlling the United Wa State Army (UWSA), which is primarily responsible for criminal activities such as heroin/ATS production in Wa territories. The UWSA announced in June 2005 a total ban on poppy cultivation and opium production and trafficking, but UWSA noncompliance with that announced ban and involvement in methamphetamine production and trafficking remain serious concerns. In January 2005, the U.S. Attorney's Office for the Eastern District of New York unsealed federal indictments against seven UWSA leaders for conspiracy to possess, manufacture, or distribute heroin and methamphetamine.

During the 2005 drug certification process, the USG determined that Burma was one of only two countries in the world (the other was Venezuela) that had "failed demonstrably" to meet international counternarcotics obligations.

In addition to regular joint work with the Drug Enforcement Administration (DEA) and Australian Federal Police (AFP) on narcotics investigations, the Government of Burma (GOB) has increased law enforcement cooperation with Thai and Chinese authorities, particularly through renditions, deportations, and extraditions of wanted drug traffickers. Burma is a party to the 1988 UN Drug Convention.

II. Status of Country

Burma is the world's second largest producer of illicit opium, but produces only a small fraction of the opium that is now produced in Afghanistan. Eradication efforts and enforcement of poppy-free zones combined to depress cultivation levels from 2000 to 2004, especially in the Wa territory. A resurgence of cultivation in eastern and southern Shan State in 2005, however, where improved weather conditions and new cultivation practices increased opium production, led to a slight overall increase in cultivation and production in Burma. According to the UNODC, a persistent and strong demand in Asia for opiates and a falling supply in the Golden Triangle region led to a 22 percent increase in Burmese village-level opium prices, from \$153 per kilogram in 2004 to \$187 in 2005. Opium price increases, however, did little to alleviate the poverty of poppy farmers, who are among the most impoverished populations in Burma.

According to an annual U.S. opium yield estimate, in 2005 the total land area under poppy cultivation was 40,000 hectares (ha), an 11 percent increase over the previous year. Estimated opium production in Burma totaled approximately 380 metric tons in 2005, a 14 percent increase over 2004. A UNODC opium yield survey, using a different methodology, concluded that cultivation had actually declined 26 percent and production had declined 19 percent. Nonetheless, both surveys estimated a yield average of 9.2 kilograms/ha, well below the peak level of 15.6 kilograms/ha recorded in 1996. Both surveys also concluded that Burma had experienced a significant downward trend over the past decade, with poppy cultivation and opium production declining by roughly 80 percent.

Declining poppy cultivation over the last ten years has been matched by a sharp increase in the production and export of synthetic drugs. Burma plays a leading role in the regional traffic of ATS. Drug gangs, many of which are ethnic Chinese, based in the Burma/China and Burma/Thailand border areas annually produce several hundred million methamphetamine tablets for markets in Thailand, China, and India using precursors imported from China and India.

According to GOB figures, during the first eleven months of 2005, ATS seizures totaled about 1.65 million tablets, a significant decrease from previous years. Authorities, however, seized over 280 kilograms of crystal methamphetamine (“Ice”). Aside from these important seizures, the government did not destroy any ATS labs in 2005 or take any other significant steps to stop ATS production and trafficking. The GOB has, however, stepped up its dialogue with law enforcement agencies and neighboring countries on the overall ATS problem.

Opium, heroin, and ATS are produced predominantly in the border regions of Shan State, areas controlled by former insurgent groups. Between 1989 and 1997, the Burmese government negotiated a series of individual cease-fire agreements, allowing each of several ethnically distinct peoples limited autonomy and continued narcotics production and trafficking activities in return for peace.

Since the mid-1990s, however, the Burmese government has elicited “opium-free” pledges from each cease-fire group. and as these pledges have come due, has stepped up law-enforcement activities against opium/heroin in the respective cease-fire territories. In June, the UWSA announced implementation of a long delayed ban on opium production and trafficking in Wa territory. The Wa tribal group, however, remain the country’s leading poppy growers and opium producers. According to many reports, the UWSP leadership facilitates the manufacture and trafficking of ATS pills in Wa territory, predominantly by ethnic Chinese criminal gangs. Although the government has not succeeded in convincing the UWSA to stop illicit drug production or trafficking, Burmese law enforcement entities stepped up pressure against Wa traffickers in 2005.

Burma has a small, but growing domestic drug abuse problem. UNODC estimated there are roughly 20,000 opium addicts in Shan State, the country’s largest poppy growing region. Surveys conducted by UNODC, among others, suggest that the overall drug addict population could be as high as 300,000, plus an additional 15,000 regular ATS users.

III. Country Actions Against Drugs in 2005

Policy Initiatives. Burma’s official 15-year counternarcotics plan, launched in 1999, calls for the eradication of all narcotics production and trafficking by 2014, one year ahead of an ASEAN-wide plan of action that calls for the region to be drug-free by 2015. The plan is to proceed in stages, with eradication efforts tied to alternative development programs in individual townships, predominantly in Shan State. The government initiated its second five-year phase in 2004. U Sai Lin’s Special Region No. 4 around Mong La has been declared opium-free since 1997; the Kokang Special Region No. 1 banned poppy cultivation in 2003 after missing a 2000 deadline; and the Wa Special Region No. 2, after several postponements, implemented a ban in June 2005. Despite substantial gains in reducing the cultivation of poppy, however, none of the regions is truly opium-free.

According to the 2005 U.S. opium yield estimate, poppy cultivation within Wa territories represents 40 percent of the total Burma crop, a decline from 55 percent in 2004, but there was a resurgence in cultivation in eastern and southern Shan State.

The most significant multilateral effort in support of Burma's counternarcotics efforts is the modest presence of the UNODC in northern Shan State. The UNODC's "Wa Project" was initially a five-year, \$12.1 million supply-reduction program to encourage alternative development in territory controlled by the UWSA. In order to meet basic human needs and ensure the sustainability of a 2005 UWSA opium ban, the UNODC extended the project until 2007, increased the total budget to \$16.8 million, and broadened the scope from 16 villages to the entire Wa Special Region No. 2. Major donors that have supported the Wa Project include the United States, Japan and Germany, while the UK and Australia have recently made additional contributions.

In 2003, the UNODC established a project in Wa and Kokang areas ("KOWI" project) aimed at supporting the humanitarian needs of farmers who have abandoned poppy cultivation and lost their primary source of income. The project's principal objective is to prevent any return to poppy cultivation and thus to sustain drug control efforts in the long term. Altogether 18 partner organizations—including the World Food Program, the Food and Agricultural Organization, and NGOs—are coordinating activities under the KOWI umbrella to address basic human needs through the provision of food, health services, and education. The goal of these interventions, many of which commenced in 2004 and are scheduled to continue until the UN Development Program assumes oversight in 2008, is to ensure the recovery and development of communities through community-based initiatives. Japan and Italy were early donors to the UNODC's KOWI project. Australia, Germany, the European Commission, New Zealand, Sweden, Switzerland, and the United Kingdom provided support to the project's NGO partners. UNODC plans to phase out its participation by 2007. Japan has undertaken a substantial effort to help the GOB establish buckwheat as a cash crop for former poppy farmers in the Kokang and Mong Ko regions of northeastern Shan State.

The Government of Burma, under a 1993 Narcotic Drugs and Psychotropic Substances Law, has in the intervening years issued notifications controlling 124 narcotic drugs, 113 psychotropic substances, and 25 precursor chemicals. Burma enacted a "Mutual Assistance in Criminal Matters Law" in 2004 and, in support of a 2002 Control of Money Laundering Law, enacted in 2003 specific "Rules for Control of Money Laundering Law."

Over the past several years, the Burmese government has extended its regional counternarcotics cooperation, including the signing in 2001 of Memoranda of Understanding (MOUs) with both China and Thailand; the opening, with UNODC support, of liaison offices on the Chinese and Thai borders over the past four years to facilitate the sharing of intelligence; annual joint operations with China that have destroyed several major drug trafficking rings; and the establishment with Thailand of three joint "narcotics suppression coordination stations." According to the GOB, Thailand has contributed over \$1.6 million to support an opium crop substitution and infrastructure project in southeastern Shan State. While not formally funding alternative development programs, the Chinese government has encouraged investment in many projects in the Wa area, particularly in commercial enterprises such as tea plantations and pig farms and has assisted in marketing those products in China through relaxation of duties and taxes.

GOB law enforcement cooperation with Thai and Chinese authorities is also manifested through renditions, deportations, and extraditions of wanted drug traffickers. Among several important cases, Burmese authorities in January arrested trafficker Ma Shun-su, one of China's five most-wanted drug kingpins, and rendered him to China in connection with the seizure of 21 kilograms of heroin. Also in January, Burmese authorities took custody of Ko Naing Lin, whom Thailand had deported in connection with a 2004 seizure in Burma of 581 kilograms of heroin. In March, Burma took custody of two individuals from China who had been deported in connection with the same 2004 heroin

seizure. In July, Burma and Thailand signed an MOU to address such issues as the sharing of seized financial proceeds from transnational organized crime. In October, Burma and India, during a joint meeting of senior Home Ministry officials, agreed to increase cooperation against drug trafficking.

Law Enforcement Measures. The Central Committee for Drug Abuse Control (CCDAC)—which is comprised of personnel from the police, customs, military intelligence, and army—leads drug-enforcement efforts in Burma. The CCDAC, effectively under the control of the Ministry of Home Affairs, now coordinates 25 drug-enforcement task forces around the country, with most located in major cities and along key transit routes near Burma’s borders with China, India, and Thailand. As is the case with most Burmese government entities, the CCDAC suffers badly from a lack of adequate resources to support its law-enforcement mission. In 2005, CCDAC established two new counternarcotics task forces in Rangoon and Mandalay, complementing existing task forces in those two cities. The GOB also established an additional Financial Investigation Team (FIT), located in Mandalay, to serve as a clearinghouse for northern Burma. This new team, established with DEA and Australian Federal Police (AFP) assistance, complements an existing FIT in Rangoon.

In January, the U.S. Attorney’s Office for the Eastern District of New York unsealed federal indictments against seven UWSA leaders for conspiracy to possess, manufacture, or distribute heroin and methamphetamine. Among those indicted was Wei Hseuh-kang, whom the United States had previously indicted in 1993 and designated a Kingpin trafficker in 2000. The GOB has to date taken no direct action against any of the seven indicted UWSA leaders, although authorities have taken law enforcement action against other, lower ranking, members of the UWSA syndicate.

Narcotics Seizures. Summary statistics provided by Burmese drug officials indicate that during the first eleven months of 2005, Burmese police, army, and the Customs Service together seized approximately 1,000 kilograms of raw opium, 776 kilograms of heroin, 119 kilograms of marijuana, and just over 1.6 million methamphetamine tablets. Heroin seizures have more than doubled over the past three years. Opium, heroin and morphine seizures, however, account for just a fraction of Burma’s yearly potential opium production.

For the second year in a row, Burmese authorities made a massive heroin bust that disrupted international trafficking syndicates. In September, officials seized a major shipment of 496 kilograms of heroin in eastern Shan State and arrested 49 UWSA soldiers, including a brigade commander. The law enforcement operation, the first of its kind against UWSA assets, was the result of close cooperation with Chinese counternarcotics officials. Related investigations that led to additional seizures and arrests came about as a result of GOB cooperation with Laos and Thailand, as well as with the U.S. DEA.

In May, a joint operation among the GOB, DEA, and the Australian Federal Police (AFP) led to the seizure in Rangoon of 102 kilograms of ICE (crystal methamphetamine), disrupting a syndicate that had smuggled over 800 kilograms of ICE from Burma to markets in China, Malaysia, the Philippines, and the United States. Through November 2005, according to official statistics, Burma arrested 4,398 suspects on drug-related charges. The government’s counternarcotics task force in Lashio, northern Shan State dismantled two heroin refineries in 2005. The GOB eradicated 3,907 ha of opium poppy in 2005, a 28 percent increase from the previous year, but less than 10 percent of the entire poppy crop. Nonetheless, overall eradication accounts for over half of the reduction in areas under poppy cultivation since 2001.

Corruption. Burma signed the 2003 UN Convention Against Corruption on December 2, 2005. At year’s end, a government panel was reviewing domestic legislation and will recommend whether existing legislation can be amended to meet the Convention’s obligations, or if new legislation is required.

There is no reliable evidence that senior officials in the Burmese Government are directly involved in the drug trade. However, lower-level officials, particularly army and police personnel posted in border areas, are widely believed to be involved in facilitating the drug trade; and some officials have been prosecuted for drug abuse and/or narcotics-related corruption. According to the Burmese government, over 200 police officials and 48 Burmese Army personnel were punished for narcotics-related corruption or drug abuse between 1995 and 2003. Of the 200 police officers, 130 were imprisoned, 16 were dismissed from the service, 7 were forced to retire, and 47 were demoted. In 2004, the military junta ousted Prime Minister General Khin Nyunt, accusing him and hundreds of his military intelligence subordinates of corruption, including illegal activities conducted in northern Shan State. Authorities have not, however, charged any of these officials with drug-related offenses, and no Burma Army officer over the rank of full colonel has ever been prosecuted for drug offenses.

Government authorities, acting on the results on a joint investigation with DEA and AFP, closed the Myanmar Universal Bank (MUB) in 2005, including 38 branch offices throughout the country, and seized MUB assets of over \$18 million. Police arrested the bank Chairman, Tin Sein, and several of his associates and charged them for money laundering and drug trafficking offenses. The GOB, also acting on results of DEA and AFP information, revoked operating licenses for the Asia Wealth Bank and Mayflower Bank due to irregularities associated with money laundering.

Agreements and Treaties. Burma is a party to the 1961 UN Single Convention as amended by the 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Drug Convention. In addition, Burma is also one of six nations (Burma, Cambodia, China, Laos, Thailand, Vietnam) that are parties to UNODC's sub-regional action plan for controlling precursor chemicals and reducing illicit narcotics production and trafficking in the highlands of Southeast Asia. Burma is a party to the UN Convention Against Transnational Organized Crime and its protocols against migrant smuggling and trafficking in persons.

Cultivation and Production. According to the annual U.S. opium yield estimate, in 2005 the total land area under poppy cultivation was 40,000 hectares, an 11 percent increase from the previous year. Estimated opium production in Burma totaled approximately 380 metric tons in 2005, a 14 percent increase from 2004. A UNODC opium yield survey concluded that cultivation in 2005 had declined 26 percent from the previous year, and by over 70 percent since 1996. UNODC also determined that production had declined 16 percent, from 370 metric tons in 2004 to 312 metric tons in 2005. Despite a variance in 2005 results, both the U.S. estimate and the UNODC survey estimated a yield average of 9.2 kilograms/ha, well below the peak level of 15.6 kilograms/ha recorded in 1996. Both surveys also concluded that Burma had experienced a significant downward trend in poppy cultivation/opium production over the past decade, with both declining by roughly 80 percent.

Drug Flow/Transit. Most ATS and heroin in Burma are produced in small, mobile labs located in the Burma/China and Burma/Thailand border areas, primarily in territories controlled by active or former insurgent groups. A growing amount of methamphetamine is reportedly produced in labs co-located with heroin refineries in areas controlled by the UWSA, the ethnic Chinese Kokang, and the Shan State Army-South (SSA-S). Ethnic Chinese criminal gangs dominate the drug syndicates operating in these areas.

Heroin and methamphetamine produced by these groups are trafficked overland (or via the Mekong River) primarily through China, Thailand, India, and, to a lesser extent, Laos, Bangladesh, and Burma itself. Heroin seizures in 2004 and 2005, and subsequent investigations, revealed the increased use by international syndicates of the Rangoon international airport and port for trafficking of drugs to the global narcotics market.

Demand Reduction. The overall level of drug abuse is low in Burma compared with neighboring countries, in part because many Burmese are too poor to afford a drug habit. Traditionally, some farmers use opium as a painkiller and an antidepressant because they lack access to adequate health

facilities. There has been a growing shift away from opium smoking toward injecting heroin, a habit that is more addictive and that poses a greater public health risk. Deteriorating economic conditions will likely stifle substantial growth in overall drug consumption, but the trend toward injecting narcotics is a significant concern. The government maintains that there are only about 70,000 registered addicts in Burma, but surveys conducted by UNODC, among others, suggest that the addict population could be as high as 300,000. NGOs and community leaders report increasing use of heroin and synthetic drugs, particularly among disaffected youth in urban areas and workers in ethnic minority mining communities. The UNODC estimated that in 2003 there were at least 15,000 regular ATS users in Burma and a joint UNODC/UNAIDS/WHO study estimated that there are between 30,000 and 130,000 injecting drug users. These two baseline studies are the most recent reliable data available on the nexus between drug abuse and HIV/AIDS in Burma. There is also a growing HIV/AIDS epidemic, linked in part to intravenous drug use. According to a UNODC regional center, an estimated 26 to 30 percent of officially reported HIV cases are attributed to intravenous drug use, one of the highest rates in the world. Infection rates are highest in Burma's ethnic regions, and specifically among mining communities in those areas, where opium, heroin, and ATS are readily available, i.e., along Burma's northern and eastern borders.

Burmese demand reduction programs are in part coercive and in part voluntary. Addicts are required to register with the GOB and can be prosecuted if they fail to register and accept treatment. Altogether, more than 21,000 addicts were prosecuted for failing to register between 1994 and 2002. The GOB has not provided data since 2002. Demand reduction programs and facilities are strictly limited, however. There are six major drug treatment centers under the Ministry of Health, 49 other smaller detox centers, and eight rehabilitation centers which, together, have reportedly provided treatment to about 55,000 addicts over the past decade. As a pilot model, in 2003 UNODC established community-based treatment in Northern Shan State as an alternative to official treatment centers. About 1,600 addicts have participated in this treatment over the past three years. Since 2004, an additional 6,900 addicts have sought medical treatment and support from UNODC-sponsored drop-in centers and outreach workers active throughout northeastern Shan State. There are also a variety of narcotics awareness programs conducted through the public school system. In addition, the government has established demand reduction programs in cooperation with NGOs. These include programs with CARE Myanmar, World Concern, and Population Services International (PSI), all of which focus on injecting drug use as a factor in the spread of HIV/AIDS.

IV. U.S. Policy Initiatives and Programs

Policy and Programs. As a result of the 1988 suspension of direct USG counternarcotics assistance to Burma, the USG engages the Burmese government in regard to narcotics control only on a very limited level. DEA, through the U.S. Embassy in Rangoon, shares drug-related intelligence with the GOB and conducts joint drug-enforcement investigations with Burmese counternarcotics authorities. In 2005, these joint investigations led to significant seizures, arrests, and convictions of drug traffickers and producers. The GOB regrettably did not provide sufficient cooperation for a 2005 joint opium yield survey. The U.S., therefore, conducted a unilateral yield estimate, primarily on the basis of comprehensive satellite imagery. The U.S. also supported an annual crop survey carried out by the UNODC that, using a different methodology to determine yields, corroborates U.S. conclusions that poppy cultivation and opium production in Burma have been declining for nearly a decade. The United States supported the UNODC's Wa project for several years as the largest international donor, contributing a total over \$8 million. In January 2005, following the unsealing of indictments against seven UWSA leaders, the United States reallocated unspent funds from the Wa project to UNODC projects outside of Wa territory. Bilateral counternarcotics projects are limited to a small, U.S.-financed crop substitution project in northern Shan State (Project Old Soldier). No U.S. counternarcotics funding directly benefits or passes through the GOB.

The Road Ahead. The Burmese government has in recent years made significant gains in reducing opium poppy cultivation and opium production and has cooperated with the UNODC and major regional allies (particularly China and Thailand) in this fight. Although large-scale and long-term international aid—including development assistance and law-enforcement aid—is necessary to help curb drug production and trafficking in Burma, the military regime’s ongoing political repression has limited international support of all kinds, including support for Burma’s law enforcement efforts. Furthermore, a true opium replacement strategy must undertake an extensive range of counternarcotics actions, including crop eradication, effective law enforcement, alternative development, and support for former poppy farmers to ensure sustainability. The Burmese government must foster cooperation between itself and the ethnic groups involved in drug production and trafficking, especially the Wa, and enforce counternarcotics laws to eliminate poppy cultivation and opium production.

The USG believes that the Government of Burma must eliminate poppy cultivation and opium production; prosecute drug-related corruption, especially corrupt government and military officials who facilitate or condone drug trafficking and money laundering; take action against high-level drug traffickers and their organizations; enforce its money-laundering legislation; and expand demand-reduction, prevention, and drug-treatment programs to reduce drug use and control the spread of HIV/AIDS. The GOB must also address the explosion of ATS that has flooded the region by gaining support and cooperation from the ethnic groups, especially the Wa, who facilitate the manufacture and distribution of ATS, primarily by ethnic Chinese drug gangs. The GOB must also close production labs and prevent the illicit import of precursor chemicals needed to produce synthetic drugs. The USG also urges the GOB to stem the troubling growth of a domestic market for the consumption of ATS.

Cambodia

I. Summary

The number of drug-related investigations, arrests and seizures in Cambodia continued to increase in 2005. This reflects a significant escalation in drug activity and perhaps some increase in law enforcement capacity. The government is concerned at the increasing use of amphetamine-type stimulants (ATS) among all socio-economic levels. The government's principal counternarcotics policymaking and law enforcement bodies, the National Authority for Combating Drugs (NACD) and the Anti-Drug Department of the National Police, cooperate closely with DEA, regional counterparts, and the United Nations Office on Drugs and Crime (UNODC). Cambodia is a party to the 1988 UN Drug Convention.

II. Status of Country

Cambodia has experienced a significant increase in recent years in the amount of ATS transiting from the Golden Triangle. The UNODC estimates that as many as 100,000 methamphetamine tablets enter Cambodia each day. Many of these are consumed domestically, though some are also thought to be re-exported to Thailand and Vietnam. In addition, Cambodian authorities believe that foreign crime syndicates, working in concert with Cambodian nationals, have set up mobile laboratories within Cambodia that produce ATS for local distribution and export to Thailand. Cocaine use by wealthy Cambodians and foreigners in Cambodia is a relatively small, but worrisome new phenomenon.

Cambodia is not a producer of opiates; however, it serves as a transit route for heroin from Burma and Laos to international drug markets such as Vietnam, mainland China, Taiwan, and Australia. Heroin and methamphetamine enter Cambodia primarily through Stung Treng, a northern province of Cambodia bordering Laos. Larger shipments of heroin, methamphetamine and marijuana exit Cambodia concealed in shipping containers, speedboats and ocean-going vessels. Smaller quantities are also smuggled through Phnom Penh International Airport concealed in small briefcases, shoes, and on the bodies of individual travelers. Cannabis cultivation continues despite a government campaign to eradicate it. There have been reports of continued military and/or police involvement in large-scale cultivations in remote areas. However, only small amounts of Cambodian cannabis reach the United States.

III. Country Actions Against Drugs in 2005

Policy Initiatives. Cambodian law enforcement agencies suffer from limited resources, lack of training, and poor coordination. The NACD, which was reorganized in 1999, has the potential to become an effective policy and coordination unit. With the backing of the Cambodian government, the UNODC launched in April 2001 a four-year project entitled "Strengthening the Secretariat of the National Authority for Combating Drugs (NACD) and the National Drug Control Program for Cambodia". This project seeks, inter alia, to establish the NACD as a functional government body able to undertake drug control planning, coordination, and operations. Although the project is currently slated to expire at the end of 2005, it is likely to be extended through August 2006. A successor project has been proposed to target drug-related crime, including transnational organized crime.

Accomplishments. During 2005, the NACD began to implement Cambodia's first 5-year national plan on narcotics control (2005-2010), which focused on demand reduction, supply reduction, drug law enforcement, and expansion of international cooperation. The NACD trained 814 policemen, gendarmes, customs officials, seaport officials, and border liaison officials in drug identification and

law enforcement. This training complements donor-provided training to increase local law enforcement capacity to test seized substances for use as evidence in criminal trials. In February 2005, the National Assembly ratified the 1961, 1971 and 1988 UN Drug Conventions. In 2005, the Cambodian government took decisive action to strengthen previously weak legal penalties for drug-related offenses. The new law drafted with help from the Anti-Drug Department of the National Police provides for a maximum penalty of \$1 million fine and life imprisonment for drug traffickers, and would allow proceeds from the sale of seized assets to be used towards law enforcement and drug awareness and prevention efforts. However, some observers worry that the law is too complex for the relatively weak Cambodian judiciary to use effectively.

Law Enforcement Efforts. In the first 11 months of 2005, 705 people (mostly Cambodians) were arrested for various drug-related offenses. This is an increase over arrests during this same period in 2004, which numbered 474. Total seizures of heroin in 2005 were 11.06 kilograms and 9 small dose packets, a five-fold increase over 2004 seizures, which totaled 2.15 kilograms. Police arrested 10 people in heroin-related cases in 2005, including a Singaporean man with 3 kilograms of heroin strapped to his legs at Phnom Penh International Airport.

While methamphetamine trafficking is believed to have increased in 2005, the number of methamphetamine pills confiscated was just one-third of 2004 levels. Police arrested 670 people in methamphetamine-related cases in 2005 and seized 293,245 methamphetamine pills. In May, police in Kampot province arrested two Stung Treng-based traffickers intending to smuggle over 100,000 amphetamine pills into Vietnam. In December, police arrested four men carrying 46,000 methamphetamine pills in Banteay Meanchey province as part of a Thai-based trafficking ring.

Corruption. Corruption remains pervasive in Cambodia, making Cambodia highly vulnerable to penetration by drug traffickers and foreign crime syndicates. Senior Cambodian government officials assert that they want to combat trafficking and production; however, corruption, abysmally low salaries for civil servants, and an acute shortage of trained personnel severely limit sustained advances in effective law enforcement. The judicial system is weak, and there have been numerous cases of defendants in important criminal cases having charges against them dropped after paying relatively small fines.

An informal donor working group, including the US, is working closely with the government to produce a revised draft anticorruption law that meets international best practices. Observers expect that the National Assembly will pass this law in 2006. Cambodia is not a party to the UN Convention Against Corruption.

Agreements and Treaties. Cambodia is a party to the 1988 UN Drug Convention and the 1971 UN Convention on Psychotropic Substances, and has signed, but has not yet ratified the 1961 UN Single Convention and its 1972 Protocol, but is expected to do so in 2006. Cambodia is a party to the UN Convention Against Transnational Organized Crime and its protocols against migrant smuggling and illegal manufacturing and trafficking in firearms.

Cultivation/Production. During 2005, 218 square meters of cannabis plantations were destroyed; 102.5 kilograms of dry cannabis were seized; and 13 people were arrested.

Drug Flow/Transit. Cambodia shares porous borders with Thailand, Laos, and Vietnam and lies near the major trafficking routes for Southeast Asian heroin. The UNODC has reported that drugs enter Cambodia via the northern border. Enforcement of the border region with Laos on the Mekong River, which is permeated with islands and mangroves, is nearly impossible due to lack of boats and fuel among law enforcement forces. Some heroin and marijuana are believed to enter and exit Cambodia via locations along the Gulf-including the deep water port of Sihanoukville-as well as the river port of Phnom Penh. Airports in Phnom Penh and Siem Reap suffer from lax customs and immigration controls. Some illegal narcotics are believed to transit these airports en route to foreign destinations.

Cambodia has several high-quality, improved-surface roads originating in Phnom Penh which have a limited reach toward remote interior regions of the country. The People's Republic of China has demonstrated its interest in increasing political influence and trade opportunities in Cambodia and all of South East Asia. To that end, the Chinese have spent millions of dollars towards this commitment and are currently constructing excellent new roads and bridges connecting the border regions with the main cities and rural areas in Cambodia. Once these roads are completed, high-speed transportation routes will facilitate even greater movement of drugs and supplies across the country.

Domestic Programs (Demand Reduction). With the assistance of the UNODC, UNICEF, the World Health Organization (WHO), CDC, the Japanese International Cooperation Agency (JICA) and NGOs, the NACD is attempting to boost awareness about drug abuse among Cambodians—especially Cambodian youth—through the use of pamphlets, posters, and public service announcements. A UNODC treatment and rehabilitation project is expected to start providing services to addicts and increasing the capacity of health and human services to deal effectively with drug treatment issues in early 2006. This project will work with centers in Phnom Penh and in the provinces of Battambang, Koh Kong and Banteay Meanchey. Several local NGOs, including Friends, Punloeu Komar Kampuchea, Cambodian Children and Handicap Development (CCHDO), Goutte d' Eau, Cambodian Children Against Starvation Association (CCASVA) and Street Children Assistance for Development Program (SCADP), have taken active roles in helping to rehabilitate drug victims across the country.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. For the first time in Cambodia in over three decades, there has been relative political stability since the formation of coalition governments following national elections in 1998 and 2003. However, freedom of expression declined notably during 2005. An opposition party parliamentarian was sentenced to seven years in prison on questionable charges of fraud and forming an illegal army. A journalist and a trade union leader were arrested on charges of defamation and incitement for criticizing a controversial border treaty with Vietnam. Several other political activists fled the country after warrants were issued for their arrest.

Cambodia is also plagued by many of the institutional weaknesses common to the world's most vulnerable developing countries. The challenges for Cambodia include: nurturing the growth of democratic institutions and the protection of human rights; providing humanitarian assistance and promoting sound economic growth policies to alleviate the debilitating poverty that engenders corruption; and building human and institutional capacity in law enforcement sectors to enable the government to deal more effectively with narcotics traffickers. One unique challenge which Cambodia faces is the loss of many of its best trained professionals in the Khmer Rouge Killing Fields incidents during, and after the Second Indo-China War. Performance in the area of law enforcement and administration of justice must be viewed in the context of Cambodia's profound underdevelopment. Even with the active support of the international community there will be continuing gaps in performance for the foreseeable future.

Bilateral Cooperation. U.S.-Cambodia bilateral counternarcotics cooperation is hampered by restrictions on U.S. assistance to the central government of Cambodia that have remained in place since the political disturbances of 1997. Cambodia regularly hosts visits from Bangkok-based DEA personnel, and Cambodian authorities cooperate actively with DEA, including the areas of joint operations and operational intelligence sharing. In September 2005, Bangkok-based DEA personnel conducted basic intelligence analysis training for law enforcement officials. DOD conducted Joint Interagency Task Force-West (JIATF-West) training missions in Battambang in August and October and in Stung Treng province in September. The three-week programs increased the ability of Cambodian police, military, and immigration officials to interdict transnational threats, including narcotics.

The Road Ahead. Cambodia is making progress toward more effective institutional law enforcement against illegal narcotics trafficking; however, its capacity to implement an effective, systematic approach to counternarcotics operations remains low. Instruction for mid-level Cambodia law enforcement officers at the International Law Enforcement Academy in Bangkok (ILEA) and for military, police, and immigration officers by JIATF-West has partially addressed Cambodia's dire training needs. However, after training these officers return to an environment of scarce resources and pervasive corruption.

As part of the JIATF-West program, Cambodian officials can be trained in land and maritime navigation and boat maintenance, but equipment to perform these tasks is often shoddy or completely lacking. The U.S. is unable to help provide this important equipment due to restrictions on U.S. military assistance related to Cambodia's trafficking in persons rating. However, 2006 will see an expansion in DEA training activities, as, for the first time in more than a decade, State Department counternarcotics funding will be available for training run via DEA headquarters. Training in basic investigation techniques is scheduled for January 2006 and a course on airport interdiction is planned for March 2006. The United States will try to assist Cambodia as Cambodia strives for better law enforcement performance and administration of justice.

China

I. Summary

The People's Republic of China (PRC) continues to have a significant domestic drug abuse problem. China is also an important transit route for opiates and ATS (Amphetamine Type Stimulants) moving through Asia. China was removed from the list of Major Drug Transit Countries in 2005 because there was no evidence drugs transiting China affected the U.S. to a significant extent. Heroin use persists, particularly in southwest China. There continues to be an upsurge in the consumption of synthetic drugs such as ecstasy (MDMA) and crystal methamphetamine, otherwise known as "ice". Chinese authorities view drug trafficking and abuse as a major threat to national security, the economy and national and regional stability, but corruption in far-flung drug producing and drug transit regions of the PRC limit the accomplishments of dedicated enforcement officials. China has made great strides to integrate regional and global counternarcotics efforts. China is a party to the 1988 UN Drug Convention.

Cooperation with U.S. counternarcotics officials continued to improve over the past year. The signing of a Memorandum of Intent in February 2005 between DEA and the MPS (Ministry of Public Security) Bureau of Narcotics Control yielded a higher level of cooperation. In 2005, the Chinese Government also continued to provide U.S. counternarcotics officials with samples of drugs seized, on a case-by-case basis.

II. Status of Country

The major narcotics producing areas in Asia, Southeast Asia's "Golden Triangle" and Southwest Asia's "Golden Crescent", both border China. The "Golden Triangle" on China's southwestern border is a longstanding problem; Chinese officials now believe that the "Golden Crescent" is an increasing source of illicit drugs trafficked into western China, particularly Xinjiang Province. According to the Chinese Government, drug abuse in China continues to rise and there were, as of 2004, 1.6 million registered drug addicts, double the number in 1995. Youths made up 74 percent of the registered drug addicts. The majority of registered drug addicts are heroin users. Illegal drug use was recorded in 2,148 cities, counties, and districts across China. The Chinese Government reports about 34,000 recent deaths from drug overdose, a significant increase from about 25,000 deaths as of the end of 2003.

China's well-documented economic growth and increasing societal openness over the last decade has dramatically increased the disposable income and leisure time of millions of young urban residents. This phenomenon has led to a rapid increase in drug abuse among the country's youth in large and mid-sized cities. Like large cities of relative affluence all over the world, Chinese cities have seen a significant rise in the urban culture of nightclubs and raves, and their attendant problems of drug abuse. These changes in China have increased abuse of recreational drugs, such as ecstasy and ATS. Officials have responded with several public awareness campaigns and increased enforcement, but abuse of synthetic drugs continues on an up-tick, as in the United States and Europe.

China has one of the largest chemical industries in the world. China is the world's largest producer of certain precursor chemicals, including acetic anhydride, potassium permanganate, piperonylmethylketone (PMK) and ephedra. China monitors all 22 of the chemicals listed in the 1988 UN Drug Convention. Chinese authorities report they seized over 160 tons of precursor chemicals and prevented a further 3,514 tons from leaving the country in 2004. China continues to be a strong partner of the United States and other concerned countries in implementing a system of pre-export notification of dual-use precursor chemicals.

III. Country Actions Against Drugs in 2005

Policy Initiatives. In June 2000, the PRC issued a “White Paper” on drugs that articulated China’s strategy for combating drug abuse and trafficking. The document covers all the major goals of the UN Convention, emphasizing education, rehabilitation, eradication, precursor chemical control and interdiction. It continues as the basic strategy for the PRC’s approach to drugs. In November 2005 China passed its first administrative law on precursor chemicals aimed at preventing the illicit use of precursor chemicals. This law represents the first action by the PRC to control domestic sale of precursor chemicals; previous laws and regulations focused solely on imports and exports. In June 2004, the PRC published an authoritative five-year plan to tackle the drug problem, which provided the Ministry of Public Security (MPS) with a mandate to step up counternarcotics efforts. The national budget for counternarcotics efforts has seen regular increases. While the MPS’s National Narcotics Control Commission (NNCC), China’s counternarcotics coordinating body, received an annual budget of less than \$1 million in the mid-1990’s, by 1998 this amount had increased to approximately \$4.5 million and to about \$17.5 million in 2003. The total narcotics budget, however, is significantly higher, because each province administers its own counternarcotics budget.

Accomplishments. China continued to cooperate with regional and international partners, including the U.S., to stem the flow of drugs. China has completely eradicated opium poppy cultivation and PRC authorities have increased efforts to destroy illicit drug laboratories within China’s borders.

Law Enforcement Efforts. The Chinese Government has increased its counternarcotics efforts through several highly publicized campaigns, including a nationwide “People’s War” on Narcotics campaign. The counternarcotics efforts at the national level and those at the provincial level have grown substantially, with increased training and exchange programs with other Asian law enforcement agencies. Some of their successes include: the April 2005 seizure of 26 kilograms of heroin in Xinjiang, the May 2005 seizure of 102 kilograms of methamphetamine in Yunnan, the June 2005 seizure of 41 kilograms of ketamine (a veterinary pain killer widely abused in Asia), in Sichuan, the September 2005, seizure of 1,010 kilograms of ketamine in Shandong and Guangdong and the November 2005 seizure of 110 kilograms of methamphetamine in Yunnan. Additionally, in September 2005, a joint investigation conducted by China, Laos, Thailand and Burma resulted in a combined seizure of 426 kilograms of heroin in Burma. The ringleader of this shipment was a Chinese national who was arrested in Laos and eventually deported to China. The case is an indication of China’s increased law enforcement co-operation with its neighbors.

In order to increase its effectiveness in law enforcement, the NNCC reorganized its enforcement operations, establishing separate heroin and amphetamine-type stimulants (ATS) enforcement groups at both the ministerial and provincial levels. Prior to 2003, enforcement was handled by one organization and focused primarily on heroin. With this reorganization, the NNCC can better address ATS enforcement.

U.S.-Chinese law enforcement cooperation continued to improve throughout 2005. The MPS continues to provide strategic and concrete information to its DEA counterparts to actively target drug rings. In addition, the MPS routinely facilitates travel of U.S. law enforcement personnel based at the U.S. Embassy in Beijing. In part due to international cooperation with its neighbors in the Golden Triangle, the MPS reports that poppy cultivation in Laos and Burma has been reduced by 44,000 hectares in recent years, which amounts to a 27 percent decrease in the total area of production since 1995.

Corruption. Official corruption in China is a serious problem. Anticorruption campaigns have led to arrests of many lower-level government personnel and some more senior-level officials. However, most corruption activities in the PRC involve abuse of power, embezzlement and misappropriation of funds, but payoffs to “look the other way” when questionable/illegal commercial activities occur, including drug smuggling, are clearly another major source of official corruption in China. Chinese

officials reported that in 2005 there were more than 32,000 people investigated for alleged corruption and that over half were found to be guilty.

While narcotics-related official corruption exists in China, it is seldom reported in the press. The MPS takes allegations of drug-related corruption seriously, launching investigations as appropriate. Most cases appear to have involved lower-level district and county officials. Although there is no substantive evidence indicating senior-level corruption in drug trafficking, the quantity of drugs trafficked within the PRC raises suspicions that official corruption is a factor in trafficking in certain provinces bordering drug-producing regions, such as Yunnan, and in Guangdong and Fujian, where narcotics trafficking and other forms of transnational crimes are prevalent. Official corruption cannot be discounted among the factors enabling organized criminal networks to operate in certain regions of China, despite the best efforts of authorities at the central government level. Narcotics-related corruption does not appear to have adversely affected on-going law enforcement cases in which the U.S. is interested. China is engaged in an anticorruption dialogue with the United States through the Joint Liaison Working Group process. China ratified the UN Convention Against Corruption on January 13, 2006.

Agreements and Treaties. China actively cooperates with other countries to fight drug trafficking. In 2000, China and the United States signed a Mutual Legal Assistance Agreement (MLAA), which entered into force March 8, 2001. In February 2005 DEA and MPS Bureau of Narcotics Control signed a Memorandum of Intent on counternarcotics cooperation. China is a party to the 1988 UN Drug Convention, as well as to the 1961 UN Single Convention as amended by its 1972 Protocol and the 1971 Convention on Psychotropic Substances. In January 2003, the United States and China reached agreement on the Customs Mutual Assistance Agreement (CMAA.) The PRC continues to cooperate with DEA's chemical control initiatives, "Operation Purple," "Operation Topaz," and "Operation Icebreaker." China strictly regulates the import and export of precursor chemicals, but chemical diversion from China has been a major problem, despite these efforts.

In October 2005 China hosted the Second International Congress of the "ASEAN and China Cooperative Operations in Response to Dangerous Drugs (ACCORD)." More than 200 delegates from ASEAN law enforcement agencies and the UN Office of Drugs and Crime (UNODC) attended. China, along with its ASEAN partners, held meetings in order to map out a regional counternarcotics cooperative mechanism in pursuit of making the region drug-free by 2015. In June, Burma, China, India, Laos and Thailand signed the Chiang Rai Declaration pledging to implement cooperative counternarcotics programs and exchange counternarcotics information. The PRC also continues to participate in UN Office for Drugs and Crime (UNODC) demand reduction and crop substitution efforts in areas along China's southern borders. China regularly participates in counternarcotics education programs sponsored by the International Law Enforcement Academy (ILEA) in Bangkok, Thailand. The PRC actively participates in the annual International Drug Enforcement Conference (IDEC) and Regional Targeting Meetings, which boost regional law enforcement cooperation against drug trafficking. China has signed over 30 mutual legal assistance agreements with 24 countries, but the U.S. and China have been unable to agree on a narcotics cooperation agreement.

Cultivation/Production. The PRC has effectively eradicated the production of drug-related crops within China. Opium, coca and other drug crops are not produced in China in significant quantities. The PRC is a main cultivator of natural ephedra, which is used in the production of amphetamine. China is also one of the world's largest producers of synthetic ephedra, which is used for medicinal purposes but can be diverted for the production of methamphetamine. The Chinese Government tightly controls exports of this key input for ATS, but like other dual-use chemicals, China remains a significant source of chemicals diverted to illicit uses, some diversions to countries as far away from China as Europe.

The Chinese Government continues to make shutting down illicit drug laboratories a top priority. The MPS seized 198 drug processing laboratories between July and August 2004 (seeking update for 2005).

Drug Flow/Transit. China continues to be used as a transshipment route for drugs produced in the “Golden Triangle” to the international market, despite counternarcotics cooperation with neighbors such as Vietnam, Thailand and Burma. Drug transportation and infiltration in Yunnan and Guangdong Provinces has been especially pervasive; drugs also move along and back and forth between China’s border with the Democratic People’s Republic of (North) Korea. While China’s southern and southwestern provinces constitute the PRC’s primary drug flow and transit areas, Chinese authorities acknowledge that western China is experiencing significant problems as well. Drugs such as heroin, methamphetamine and ketamine are being smuggled into Xinjiang Province and then distributed throughout China.

Domestic Programs (Demand Reduction). According to the MPS, China had 1.6 million illegal drug users registered by law enforcement departments. The majority of registered drug users are addicted to heroin. The Ministry of Education (MOE) and the NNCC have expanded drug education and prevention programs, aimed at preventing children from ages 12 to 18 from getting involved in drugs. Chinese officials report the distribution of 25,000 counternarcotics posters in 2004. In 2004, 100,000 drug awareness pamphlets were distributed and 100,000 special action committees were formed to carry out drug control publicity and education activities. The NNCC, Ministry of Health and the State Food and Drug Administration jointly established 34 clinics in 10 provinces to provide treatment to heroin addicts.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Counternarcotics cooperation between China and the United States continues to develop in a positive way. The information shared by China is leading to progress in attacking drug-smuggling rings that have an impact on the U.S. and is yielding significant operational results.

Road Ahead. The most significant problem in bilateral counternarcotics cooperation remains the lack of progress toward concluding a bilateral Letter of Agreement (LOA) enabling the U.S. Government to extend counternarcotics assistance to China. Reaching agreement on the LOA is a major U.S. goal that, if achieved, would greatly increase counternarcotics cooperation between the two countries. While China has provided the DEA on a case-by-case basis with some samples of drugs seized in the PRC intended for U.S. markets, the U.S. Government would welcome routinely receiving samples of all drugs seized by Chinese authorities. Despite these issues, bilateral enforcement cooperation remains on track and is expected to continue to improve over the coming year.

Hong Kong

I: Summary

Hong Kong is not a major transit/transshipment point for illicit drugs destined for the international market because of its efficient law enforcement efforts, the availability of alternate transport routes, and the development of port facilities elsewhere in southern China. Some traffickers continue to operate out of Hong Kong to arrange shipments from nearby drug-producing countries via Hong Kong to the international market, including to the United States. The Government of the Hong Kong Special Administrative Region (HKSAR) actively combats drug trafficking and abuse through legislation and law enforcement, preventive education and publicity, treatment and rehabilitation, as well as research and external cooperation. The 1988 UN Drug Convention, to which the People's Republic of China (PRC) is a party, also applies to Hong Kong.

II: Status of Hong Kong:

Hong Kong's position as a key port city in close proximity to the Golden Triangle and mainland China historically made it a natural transit/transshipment point for drugs moving from Southeast Asia to the international market, including to the United States. In recent years, Hong Kong's role as a major transit/transshipment point has diminished due to law enforcement efforts and the availability of alternate routes in southern China. Despite the diminished role, some drugs continue to transit Hong Kong to the United States and the international market. Some drug-traffickers continue to use Hong Kong as their financial base of operations, including investors involved in international drug trafficking activity who reside in Hong Kong.

Hong Kong law enforcement officials maintain very cooperative liaison relationships with their U.S. counterparts in the fight against drugs. According to HKSAR authorities, drugs seized in Hong Kong are smuggled mostly for local consumption and to a lesser extent for further distribution in the international market, including the United States. Hong Kong experienced an overall decrease in drug abuse in 2005. According to the Hong Kong Central Registry of Drug Abuse (CRDA), in the first six months of 2005 the total number of drug abusers continued to fall to 8,833, a drop of 5.1 percent from 9,303 during the same period in 2004. Heroin was the most commonly abused drug, though the number of heroin abusers also dropped slightly from 2004. Also noted was a significant drop of 30 percent in ketamine abusers over the same period in 2004. However, the CRDA noted that both the number and proportion of drug abusers taking more than one drug was on the rise, as was the number of female drug abusers.

In 2005, the Hong Kong Government again gave a high priority to tackling psychotropic substance abuse. The Hong Kong Government has identified the continuing prevalence of psychotropic substance abuse and the growing trend of young people experimenting with drugs as their major area of concern in the battle against drug abuse and trafficking.

III. Actions Against Drugs in 2005:

Policy Initiatives. Although there were no major policy changes in 2004 and 2005, the Hong Kong Government continued to work with existing counternarcotics policies and strategies in drug-prevention efforts. Minor policy changes included updating lists of prescription medicines allowed for storage in local hospitals and nurseries as well as an expansion of the reporting network of the Central Registry of Drug Abuse to enable better monitoring of drug abuse in Hong Kong.

Law Enforcement Efforts. Hong Kong's law enforcement agencies, including the Hong Kong police and Hong Kong Customs and Excise Department (HKCED) place high priority on meeting the objectives of the 1988 UN Drug Convention. Their counternarcotics efforts focus on the suppression of drug trafficking and the control of precursor chemicals. The Hong Kong Police have adopted a three-level approach to combat narcotics distribution: at the headquarters level, the focus is on high-level traffickers and international trafficking; the regional police force focuses on trafficking across police district boundaries; and the district level police force has responsibility for eradicating street-level distribution. HKCED's Chemical Control Group, in cooperation with the U.S. DEA office in Hong Kong, closely monitors the usage of precursor chemicals and tracks the export of suspicious precursor chemical shipments to worldwide destinations with significant results impacting on several regions including the United States. HKCED continued to aggressively combat drug trafficking in 2005 and carried out numerous significant drug seizures, including a record seizure of 87.5 kilograms of ketamine in March 2005.

Corruption. As a matter of government policy, the HKSAR does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. Similarly, no senior government official is alleged to have participated in such activities.

Hong Kong has a comprehensive anticorruption ordinance that is effectively enforced by the Independent Commission Against Corruption (ICAC), which reports directly to the Chief Executive. In addition, the UN Convention Against Corruption, which the PRC ratified on January 13, 2006, is applicable to Hong Kong.

Drug Flow/Transit. Some drugs continue to flow through Hong Kong for the overseas market, including the United States. Traffickers use land routes through mainland China to smuggle heroin into Hong Kong. The heavy volume of vehicle and passenger traffic at the land boundary between PRC and Hong Kong continues to pose difficulties in the fight against the trafficking of drugs into Hong Kong. In an effort to eradicate Hong Kong's role as a transit/transshipment point for illicit drugs, the HKSAR maintains a database of information on all cargoes, cross-border vehicles, and shipping. The air cargo clearance system, the land border system and the customs control system are all capable of quickly processing information on all import and export cargoes, cross-border vehicles and vessels. The Hong Kong drug trade is primarily dominated by the local Chinese population. Contrary to common belief, there is not a significant and direct connection between Hong Kong narcotics activity and Hong Kong triads at the wholesale level. Therefore, drug investigations are not focused on known triad societies, but rather on the particular trafficking syndicates or individuals involved. In 2005, the trafficking destined for mainland China by Southeast Asians became more prominent. As a result, seizures of ketamine have spiraled upwards; shipments of multi-kilo loads of ketamine have been intercepted.

Agreements and Treaties/International Cooperation. Hong Kong has "mutual legal assistance in criminal matters agreements" with the United States and many other countries. Hong Kong has also signed surrender of fugitive offenders agreements with 14 countries, including the U.S. Hong Kong also signed transfer of sentenced persons agreements with seven countries, including the U.S. Hong Kong law enforcement agencies enjoy a close and cooperative working relationship with their mainland counterparts and counterparts in many countries. Hong Kong's reversion to China in 1997, and particularly adjustment to the unique "one country, two systems" environment in which Hong Kong currently operates, caused Hong Kong's law enforcement and customs operations around the time of reversion (July 1997) to operate less efficiently with their mainland counterparts than they do now. In the last few years, liaison information sharing and data-networking functions, such as customs information, have been formalized and have been successful in increasing the levels of inter-system cooperation and efficiency. Because intermittent drug trafficking through Hong Kong often involves mainland China aspects, foreign law enforcement agencies in Hong Kong such as the U.S. DEA have

benefited from the increased level of PRC-Hong Kong cooperation. The 1988 UN Drug Convention, 1961 UN Single Convention as amended by the 1972 Protocol, and the 1971 UN Convention Against Psychotropic Substances are all applicable to Hong Kong.

Domestic Programs. The Hong Kong Government uses a “five-pronged” approach to confront domestic drug problems, covering legislation and law enforcement; preventive education and publicity; treatment and rehabilitation; research; and external co-operation. In 2005, the Hong Kong Government’s preventative education policy efforts continued to focus on youth and parents. The Hong Kong Government has provided a comprehensive drug prevention program throughout Hong Kong’s education system. A counternarcotics publicity program, in collaboration with local radio, kicked off in April 2005. The program was designed to allow Hong Kong youth to share their experiences and knowledge publicly through the radio and internet. Additionally, a series of television programs focusing on drug abuse issues will be produced jointly with local Hong Kong T.V. for broadcast in 2006. The Hong Kong Government’s Narcotics Bureau also partners with youth organizations and groups such as Junior Police Call, the Hong Kong Red Cross, and the Scout Association of Hong Kong to promote the counternarcotics message to youths. In June 2004, the Hong Kong Government formally opened the Drug Info Centre (DIC), funded by the Hong Kong Jockey Club. The DIC is the first exhibition center in Hong Kong dedicated to counternarcotics education. Since the DIC’s opening, it has received more than 45,000 visitors for various drug-prevention education activities. The Government also continued to commission nongovernment organizations to assist in educating primary and secondary school children. Since the opening in June 2004, a total of 127,300 students from 530 schools attended drug education programs sponsored by the Government.

The Hong Kong Government also continued to implement a comprehensive drug treatment and rehabilitation program in 2005. The Department of Health and the Social Welfare Department continued to operate seven residential drug treatment centers and five counseling centers for psychotropic substance abusers and the Department of Health continued its operation of a methadone treatment program. The Correctional Services Department continued to provide compulsory treatment for convicted persons with drug abuse problems.

Cultivation and Production. Hong Kong is not a producer of illicit drugs.

IV: U.S. Policy Initiatives and Programs.

Policy Initiatives. The U.S. Government and the HKSAR continue to promote sharing of proceeds from joint counternarcotics investigations. In May 2003, Hong Kong began participating in the U.S. Container Security Initiative (CSI), which U.S. law enforcement believes will increase the potential for identifying shipments of narcotics, even though its focus is on terrorism and weapons of mass destruction. Hong Kong is also an active participant in The International Law Enforcement Academy (ILEA) in Bangkok, Thailand. From 2003 to October 2005, Hong Kong Customs, Hong Kong Department of Health and the United States Drug Enforcement Administration launched a joint operation codenamed “Cold Remedy” to monitor the movement of precursor chemicals which are used in the production of methamphetamine and other drugs from Hong Kong to high-risk countries. The operation effectively decreased the frequency of these shipments and, through the high level of information exchange and timely international tracking, indicated strong cooperation between Hong Kong Government officials and their U.S. counterparts. To further strengthen international cooperation against trafficking of precursors used in the production of pseudoephedrine, Hong Kong secured an agreement with the U.S., Mexico and Panama to impose stringent controls on such shipments. Since the agreement’s implementation in April 2005, no shipment of such products to Mexico or any other high-risk countries has been detected.

The Road Ahead. The Hong Kong Government has proven to be a valuable partner in the fight against drug trafficking and abuse. Hong Kong law enforcement agencies, among the most effective in

the region, continue to cooperate closely with U.S. counterparts. The U.S. Government will continue to encourage Hong Kong to maintain its active role in counternarcotics efforts.

Indonesia

I. Summary

Although Indonesia is not a major drug producing, consuming, or drug transit country, Indonesia continues to have a growing problem in all three areas. Marijuana production for the domestic market is large, because marijuana is widely abused among Indonesia's large population. In addition, recent large seizures point to ecstasy production in Indonesia, as well. The Indonesian National Police (INP) has participated in several international donor-initiated training programs and continues to commit increased resources to counternarcotics efforts. The INP has received U.S. assistance, including vehicles, software, safety and tactical equipment to support its efforts against crime and drugs. INP efforts are firmly based on counternarcotics legislation and international agreements. The INP relies heavily on assistance from major international donors for training and equipment, including the U.S. Indonesia is a party to the 1988 UN Drug Convention.

II. Status of Country

All major groups of illegal drugs are readily available in Indonesia: methamphetamine, in its crystalline and tablet forms, MDMA (ecstasy), heroin, cocaine, and marijuana. The INP reports that the majority of heroin seized in Indonesia originates in Afghanistan. Indonesian authorities report that much of the heroin trade in Indonesia is controlled and directed by West African and Nepalese traffickers, often utilizing Thailand and Singapore as transit points for their couriers. In recent years, there has been a significant increase in the domestic large scale (multi hundred kilogram quantities) production of methamphetamine and MDMA in Indonesia. Indonesian authorities report that the domestic production of methamphetamine and MDMA in Indonesia is controlled by Indonesian and Chinese syndicates, utilizing precursor chemical sources of supply in the PRC. However, the majority of MDMA is reported to be imported from the Netherlands. INP reports that marijuana is cultivated throughout Indonesia, especially the Aceh Province of Northern Sumatra, where large scale cultivation occurs. During 2005, INP identified 66 marijuana fields, destroying 160,211 marijuana plants, comprising a total of approximately 86.5 hectares, and seizing 20.9 tons of marijuana. The peace treaty signed in 2005 between GOI forces and Free Aceh Movement (GAM) rebels, has led to increased access and presence of INP throughout Northern Sumatra. Although cocaine seizures continue to occur in major Indonesian airports, the market for cocaine in Indonesia is very small. Cocaine seizures made by INP are believed to be associated with the transshipment of the drug to more lucrative markets, specifically Australia.

III. Country Actions Against Drugs in 2005

Policy Initiatives. The Indonesian counternarcotics code is sufficiently inclusive to enable police, prosecutors, and the judiciary to arrest, prosecute, and adjudicate narcotics cases; however, the continued lack of modern detection, enforcement and investigative methodologies and technology, as well as the presence of pervasive corruption, are the greatest obstacles to advancing counternarcotics efforts.

Law Enforcement Efforts. The National Narcotics Board (BNN) continues to strive to improve interagency cooperation in drug enforcement, interdiction, and precursor control. In 2005, under the auspices of BNN, the USG sponsored Joint Interagency Counterdrug Operations Center (JIACDOC), supported by the Joint Interagency Task Force West, was opened in Jakarta, Indonesia. The JIACDOC is supported by an extensive IT infrastructure connecting the center to key provinces throughout

Indonesia. The mission of the JIACDOC is to improve coordination and information exchange between various Indonesian law enforcement agencies related to drug enforcement.

The INP Narcotics and Organized Crime Directorate continues to improve its ability to investigate and dismantle international drug trafficking syndicates, for example, in November INP conducted a raid, dismantling the largest amphetamine type substance (ATS) manufacturing plant in Indonesian history, producing both crystal methamphetamine and MDMA at the time of the raid. The Narcotics Directorate has become increasingly active in regional targeting conferences designed to coordinate efforts against transnational drug and crime organizations. The maritime counternarcotics effort depends on a myriad of Indonesian law enforcement agencies. Work in the Indonesian Government to define the roles of these agencies, including the Navy and the INP Air and Sea police, continue so as to avoid duplication. For the moment however, no effective campaign can be mounted against possible trafficking by sea. Any attempt to check trafficking by sea will be very challenging, given the many islands that make up the Indonesian Archipelago. The Indonesian courts have sentenced approximately 21 drug traffickers to death since January 2000. In 2004, the Indonesian government began to carry out these sentences, executing three individuals.

Agreements and Treaties. Indonesia is a party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 UN Single Convention, as amended by the 1972 Protocol. Indonesia has signed, but has not yet ratified, the UN Convention on Transnational Organized Crime and the UN Convention Against Corruption.

Cultivation/Production. Indonesia produces enough marijuana for domestic consumption. This is no small amount, given that Indonesia's population is in excess of 220 million, and cannabis is the most widely abused drug. In recent years, Indonesia has experienced a significant increase in domestic production of MDMA and methamphetamine, but most of these two drugs available in Indonesia's larger cities are still imported.

Corruption. As a matter of government policy and practice, the GOI does not encourage or facilitate the illicit production or distribution of drugs or the laundering of proceeds from illegal transactions. Corruption in Indonesia, however, is endemic, despite laws against it, and seriously limits the effectiveness of all law enforcement, including narcotics law enforcement. The recently elected administration has made anticorruption efforts a major policy initiative, but as long as official salaries remain very low, some officials will be tempted to accept bribes.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Indonesia and the United States maintain excellent law enforcement cooperation on narcotics cases. In 2005, DEA provided training in the areas of airport interdiction, mail/parcel interdiction and maritime/cross border counternarcotics operations. Indonesia continues to work closely with the DEA regional office in Singapore on narcotics investigations.

The Road Ahead. In 2006, the U.S. will assist the BNN and other counternarcotics agencies in further developing the Joint Interagency Counterdrug Operations Center and Network. The goals of the project are to standardize and computerize the reporting methods related to narcotics investigations and seizures, to develop a drug intelligence database, and to build an information network designed to connect all of the provinces of Indonesia.

Japan

I. Summary

Japan is not a significant producer of narcotics, but it is target country for traffickers in a wide variety of narcotics. Methamphetamine (“meth”) is Japan’s most widely abused drug. MDMA (ecstasy) is of growing concern in Japan; several large seizures occurred in 2004 and ecstasy is now readily available in Tokyo nightclubs. Heroin and cocaine are also available in Japan, but they are relatively unpopular. The Japanese legal system discourages proactive investigative techniques for pursuing drug traffickers; consequently, Japanese law enforcement is forced to be primarily reactive in their investigations. Despite legal and bureaucratic restrictions, Japanese law enforcement is emerging as a prominent partner with United States and international law enforcement agencies in pursuit of large-scale international drug trafficking organizations (DTOs). Furthermore, Japan has taken a leadership role within the Asia-Pacific region by hosting training and seminars. DEA Tokyo acts as an advisory, support and training resource to Japanese law enforcement agencies, and conducts joint multinational investigations with its Japanese partners. Japan is a party to the 1988 U N Drug Convention.

II. Status of Country

Japan is not a significant producer of narcotics. Licit cultivation of opium poppies, coca plants, and cannabis for research is done on a modest scale and is strictly monitored and controlled by the Ministry of Health, Labor and Welfare. Methamphetamine is Japan’s most widely abused drug, but there is no evidence of domestic clandestine manufacturing. GOJ authorities believe the majority of methamphetamine smuggled into Japan is refined and/or produced in the People’s Republic of China (PRC), North Korea, Taiwan, Indonesia and the Philippines. Recently, seizures of methamphetamine coming from the U.S. have been made at Japan’s international airports. Canada emerged as a significant source of methamphetamine and marijuana in 2004. Methamphetamine trafficking remains a significant source of income for Japanese organized crime. Approximately 80 percent of all drug arrests in Japan involve methamphetamine. The National Police Agency (NPA) estimates there are 600,000 methamphetamine addicts, and between one and three million casual users nationwide. Although not a producer of methamphetamine, Japan is one of the largest markets for methamphetamine in Asia. Government of Japan (GOJ) authorities unofficially estimate that between ten and twenty metric tons of this substance is trafficked annually into Japan.

III. Country Actions Against Drugs in 2005

Policy Initiatives. DEA Tokyo has worked closely with the GOJ to add synthetic drugs of abuse to Japan’s list of prohibited drugs. In 2005, the GOJ banned 5- MeO-DIPT (“foxy methoxy”) and Alpha-methyltryptamine (“AMT”). Since 2002, legislation has made illegal the possession, sale, and/or use of Benzylpiperazine (“BZP”), trifluoromethylphenylpiperazine (“TFMPP”), Psilocybin (“magic mushrooms”), Gamma Hydroxybutyrate (“GHB”), and 4- Methylthioamphetamine (“4-MTA”). Japanese officials are currently in the process of adding ketamine to the list of prohibited drugs.

Compared to past years, Japanese law enforcement has made greater attempts to be proactive in its approach to drug law enforcement.

Law Enforcement Efforts. Police counternarcotics efforts tend to focus on Japanese organized crime and foreigner operated DTOs, the main smugglers and distributors of drugs. In August 2004, DEA Tokyo initiated a joint investigation with NPA’s Drugs & Firearms Control Division, the Kanagawa Prefecture Police, and U.S. Naval Criminal Investigative Service (NCIS) to intercept multiple

packages containing MDMA ecstasy tablets mailed from Seattle to a U.S. military base in Japan. This resulted in the arrests of two U.S. nationals and the seizure of 50,000 tablets of MDMA, which was sourced to violators in Vancouver, Canada.

Despite restrictive and cumbersome laws against the proactive use of informants, undercover operations, and telephone intercepts, Japan's Ministry of Health, Labor and Welfare's Narcotics Control Department conducted an extensive undercover operation between January and July 2005 that resulted in the arrests of 60 local drug peddlers. Overall, drug-related arrests (January-June, 2005) increased 6.9 percent over the same time frame last year. Through September 2005, Japanese authorities have seized approximately 126 kilograms of methamphetamine, compared to the 612 kilograms seized in 2004.

The popularity of ecstasy continued to grow. It is readily available in Tokyo's nightclubs. Through September 2005, approximately 350,000 MDMA tablets were seized. MDMA seizures this year are on pace to exceed the 414,768 seized in 2004. Heroin imports from Southeast Asia remain low; only 32 grams of heroin and 1,579 grams of opium were seized through September 2005. Heroin, opium, and cannabis use continues to be significantly lower than that of other illegal drugs in the country. However, the growing number of arrests involving marijuana and hashish indicates the increasing popularity of these substances. Through September 2005, approximately 253 kilograms of marijuana and approximately 158 kilograms of hashish have been seized in Japan. Cocaine seizures remain low, with approximately 2.7 kilograms seized through September 2005. This amount is much lower than the anomalous 86 kilograms seized in 2004, and slightly higher than the 2.3 kilograms seized in 2003.

Corruption. As a matter of government policy, the GOJ does not encourage or facilitate the illicit production or distribution of narcotics, psychotropic drugs, controlled substances, or the laundering of proceeds from illegal drug transactions.

Agreements and Treaties. Japan is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. An extradition treaty and a customs mutual assistance agreement are in force between the United States and Japan. Japan has signed but has not yet ratified the UN Convention on Transnational Organized Crime and the UN Convention Against Corruption.

The U.S.-Japan Mutual Legal Assistance Treaty (MLAT) was signed in 2003 but is not yet in force. The MLAT will allow Japan's Ministry of Justice to share information and cooperate with the U.S. Department of Justice in connection with investigations, prosecutions and other proceedings in criminal matters.

Cultivation/Production. Although Japan is not a significant cultivator or manufacturer of controlled substances, it is a major producer of 60 types of dual-use precursor chemicals. For example, Japan is one of only a handful of countries that refine ephedrine, a chemical used to treat nasal/breathing problems. Ephedrine is also an essential ingredient in methamphetamine. DEA Tokyo works closely with its Japanese counterparts to monitor end users of dual use precursors.

Drug Flow/Transit. With few exceptions, all drugs illicitly trafficked into Japan are smuggled from overseas. According to the NPA Taiwan, China, the Philippines, Canada, the U.S. and North Korea are principal sources.

Domestic Programs (Demand Reduction). Drug treatment programs are small and generally run by private organizations. GOJ provides narcotics-related counseling focused on drug prevention and supports the rehabilitation of addicts at prefectural (regional) centers. The Japanese Government continues to support a number of drug awareness campaigns designed to inform the public about the growing use of stimulants in the country, especially among junior and senior high school students. The Ministry of Health and Welfare, along with prefectural governments and private organizations,

continues to run national publicity campaigns and to promote drug education programs at the community level.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S. goals and objectives include strengthening law enforcement cooperation related to controlled deliveries and drug-related money-laundering investigations, encouraging more demand reduction programs, encouraging effective use of existing anticrime legislation and available investigative tools against drug traffickers, and encouraging the effective use of government agencies responsible for financial transaction oversight.

The Road Ahead. DEA Tokyo will work closely with its Japanese counterparts to offer support in conducting investigations on international drug trafficking, money laundering, and other crimes. DEA will continue to pursue an aggressive education and information-sharing program with Japanese law enforcement agencies to foster knowledge of money laundering investigations, and their relationship to narcotics trafficking and terrorist financing.

Laos

I. Summary

In 2005, Laos enjoyed unprecedented success in its battle against opium, in no small part due to the determined efforts of the Government of Laos (GOL) supported by U.S. State Department counternarcotics funding. Crop control programs reduced poppy cultivation and production by an estimated 45 percent in just one year. Demand reduction programs reduced addiction by a claimed 30 percent of the known addict population. If successful alternative development is able to secure this victory, Laos could cease to be a major producer of opium in the near future. However, opium addiction is a persistent problem, decades in the making; claims of rapid success in treating addicts could prove to be short-lived. A 30 percent reduction in addict populations in a single year would be almost without precedent worldwide.

Unfortunately, just as Laos appears to be on the verge of a major triumph against opium, a new threat has appeared in the form of amphetamine type stimulants (ATS). The scourge of methamphetamine, locally known as “ya ba” (crazy medicine), is exploding among the nation’s youth, truck drivers, and commercial sex workers. A paucity of law enforcement resources, vulnerability to corruption, and the difficulty of controlling the nation’s long and remote borders will make it difficult for Laos to easily overcome this challenge. Focused demand reduction programs, more robust law enforcement, and better international cooperation will be necessary if Laos is not to become both a major ATS consumer and transit country. Laos is a party to the 1988 UN Drug Convention.

II. Status of Country

Laos was, until this year, the world’s third largest producer of illicit opium, but production has decreased to the point that it may no longer meet domestic demand (largely from traditional abusers among Laos’ Hill Tribes), and the nation’s days as a commercially significant producer of opium appear numbered. In contrast, Laos may be on the verge of becoming a major transit country for ATS and associated precursors.

Increasing prices may be discouraging some opium use even as it serves as a stimulus to production. According to the UNODC, opium prices rose 139 percent in 2005, to a new high of \$521 per kilogram, more than three times the 2002 price. USG survey results indicate that in some remote locations, prices may have been even higher during the year, based on the local specifics of supply and demand. According to the UNODC, the result of these higher prices was that overall opium production revenues declined by only 21 percent, to \$7.4 million, despite the precipitous drop in production.

III. Country Actions Against Drugs in 2005

Policy Initiatives. Central to the GOL’s success in reducing poppy cultivation in 2005 was its determination to achieve the counternarcotics policy goal set forward in the Seventh Party Congress (2001), to free Laos of opium cultivation before the Eighth Party Congress convenes in early 2006. While this policy was not new, the GOL pursued it vigorously during the past year and this helped to bring Laos closer to its stated objective.

In late November 2005, Minister to the President’s Office and Chairman of the Lao National Commission for Drug Control and Supervision (LCDC) Soubanh Srithirath, pressed the provinces to renew their commitment to making Laos opium free before February of 2006. He reminded provincial leaders that they were accountable for the success or failure of the policy and that the central

government would monitor their performance. The GOL sought to implement this policy in several ways:

First, Laos undertook a nationwide program to promote “opium awareness,” focused on sixty-two districts where poppy cultivation has been or continues to be a serious problem. The campaign utilized local, law enforcement, and public health officials to educate suspected opium producing villages on Lao narcotics law, the hazards of addiction, and alternative development opportunities for those who stop producing. One of the key objectives of the campaign was to garner voluntary compliance and a written commitment from each of the target villages and cultivators that they would no longer plant poppy. The campaign also sought to assure that villagers understood the law and the potential legal consequences if they chose to violate it. As part of this campaign, officials attempted to confiscate poppy seed before cultivators could sow it, though the effectiveness of that effort was questionable.

Second, the GOL, with support from the US, UN and other international partners, continued to pursue a variety of alternative development programs. These included crop substitution, rice cultivation, road construction, building community infrastructure, installing clean water systems, opening livestock banks, establishing ecotourism venues, developing village health care, providing vocational training, and promoting literacy education, particularly among women. The bulk of the counternarcotics funds provided by donors to the GOL were committed to alternative development, as these initiatives provide the best long-term solution to the poverty that is the root cause of opium production.

Third, the GOL, again with substantial support from international donors including the USG, sought to bring about an end to opium addiction throughout the country. With the knowledge that it will be next to impossible to eliminate all poppy cultivation as long as there is a substantial domestic demand, LCDC conducted a conference in late November to identify those provinces that had achieved their addict detoxification targets, and to urge those which were lagging behind to redouble their efforts. Laos is in the process of implementing a pilot program that holds the promise of more cost effective detoxification, based in part on lessons learned from regional partners. Opium addiction is a persistent problem; however, and claims of rapid success could prove to be short-lived.

The GOL also sought to bring the growing scourge of ATS to the forefront of the public agenda. In a public speech in June 2005, Minister Soubanh openly addressed the problem of growing ATS abuse among the nation’s youth, citing statistics that showed methamphetamine use as high as 27 percent among students in some locations. Laos is considering revising its penal code and criminal procedures to meet the challenge of growing ATS abuse, with the assistance of several European partners.

The MOJ, in cooperation with UNODC and international partners, is drafting a new comprehensive drug control law to supplement the provisions of Article 135 (1990). The article is incomplete and does not provide a coherent legal framework for the control of narcotics and other substances listed in relevant UN conventions, to which it is a party, such as the 1961 Single Convention. A consequence of this is that Lao law does not always distinguish between illicit and licit medical use of some controlled drugs. The new draft legislation provides a more complete and methodical legal framework for drug enforcement, and includes provisions for enhanced cooperation against illicit transit. In addition, the GOL amended Article 135 in 2005 to include key provisions of the TOC agreement. Unfortunately, changes in the legal code are not always published in the press, and can remain unknown to government officials and the public alike.

Accomplishments. Poppy cultivation in Laos declined dramatically in 2005, and this success stands as an unqualified victory for Laos and its international partners, especially the U.S., in the battle against illicit narcotics, especially the U.S. According to USG figures, the area under cultivation declined from 10,000 hectares in 2004 to 5,500 hectares in 2005. This was a 45 percent reduction in cultivation in just one year. The UNODC survey conducted in 2005 indicated an even steeper decline, from 6,600 hectares in 2004 to approximately 1,800 in 2005, a 74 percent drop. The decline in opium production paralleled that in opium cultivation. The 2005 USG survey projected production of

approximately 28 metric tons, a 46 percent decline from last year's estimate of 49 tons. UNODC survey results showed a more rapid reduction, from 43 tons in 2004 to 14 tons in 2005, a 67 percent decline.

Law Enforcement Efforts. Despite some successes, Laos' law enforcement resources remain inadequate to meet the full range of challenges posed by illicit drugs. Thanks to international assistance, Laos can accurately estimate opium cultivation, production, and addiction, but currently does not possess the means to accurately assess the extent of production, transit, and distribution of ATS and its precursors. Production and transit costs for opium and ATS are low. Anecdotal evidence suggests that some traffickers formerly involved in opium may now be shifting to ATS because it is more mobile, a safer investment, the returns are faster, and the market is growing. There are reports that former heroin traffickers are moving into the hospitality industry, commercial forestry, other legitimate businesses, and money laundering.

Counter Narcotics Units (CNU), Laos' principle counternarcotics law enforcement assets, remain understaffed, insufficiently trained and poorly equipped to deal with the growing ATS challenge. USG and UNODC programs have mitigated training and equipment problems to some extent.

The increase in seizures of ATS near its borders and data indicating rapid growth in use provide what little insight there is into the ATS problem in Laos. Opium seizures during the first nine months of 2005 totaled 31.2 kilograms—roughly on pace with 2004's total of 43 kilograms and somewhat surprising considering the overall reduction in cultivation. Heroin seizures thru September stood at 22.76 kilograms, off pace from 2004, when 55 kilograms were interdicted. ATS seizures were also slightly slower, at 1,870,305 pills in nine months, compared to the first half 3,020,000 of 2004. Cannabis seizures, however, appeared to speed up, with 1.6 metric tons through September 2005 versus 1.8 metric tons for all of the last year. Lao authorities opened 130 drug related cases in 2005, resulting in several hundred arrests. These prosecutions were almost entirely of street pushers, and Laos has demonstrated a serious inability to investigate or develop cases against major traffickers without external assistance and in some cases significant international pressure. Laos relies primarily upon the regulatory agencies of producing states, such as China, to prevent illicit shipments of precursor chemicals into Laos, which currently does not have any domestic production capacity. The GOL did not report any precursor chemical seizures in 2005.

While UNODC noted that Lao law enforcement cooperation with neighboring countries was generally good in 2005, the USG found that bilateral cooperation with Laos had improved only slightly, and remained unsatisfactory. With the exception of the Customs Department, the GOL failed to make use of the opportunities for cooperation afforded by the DEA, which continued to provide law enforcement support to Lao agencies, but received very little feedback in return.

International Organizations (IOs) with experience in Laos have reported that the GOL does seize assets such as homes, plots of land, automobiles and jewelry for a variety of criminal offences including but not exclusively related to narcotics violations. The legal framework for and ultimate disposition of asset seizures is not clear, transparent, or public, and the proceeds from seizures may be used to supplement the budgets of state agencies.

Corruption. Corruption in the Lao PDR, long present in petty forms, may be rising among higher-ranking officials as the potential for graft income grows. Civil servants receive very little pay, and those able to use their positions to advantage, such as police and customs officials, can augment their salary through corruption, particularly in areas distant from central government oversight. Lao law explicitly prohibits corruption, and some officials have been removed and prosecuted for corrupt acts, including at least one senior official in 2005. The GOL has made fighting corruption a priority, and to demonstrate its commitment, participated along with the UNDP, the UNODC, and international donors in "International Anti-Corruption Day" on December 9, 2005. At this event, Deputy Prime Minister Mr. Asang Laoly said that in ratifying the United Nations Convention against Corruption

(UNCAC), the Lao government would join the global partnership to fight corruption. Unfortunately, the same weaknesses that undermine counternarcotics law enforcement and facilitate corruption make fighting the latter a daunting challenge. Laos has signed, but has not yet ratified, the UN Convention Against Corruption.

Agreements and Treaties. The USG supports Crop Control, Demand Reduction, and Law Enforcement programs under three annual Letters of Agreement (LOA) with the GOL. Laos is achieving or making an earnest effort to achieve the performance goals listed in the Crop Control and Demand Reduction LOAs, but is far from doing so with regard to the goals enumerated in the Law Enforcement LOA. Laos is a party to the 1988 UN Drug Convention, the 1962 UN Single Convention and the 1971 UN Convention on Psychotropic Substances. Laos is a party to the UN Convention against Transnational Organized Crime, and its three protocols. Laos has legal assistance agreements with China, Thailand, Vietnam, Cambodia, and Burma, and it signed an agreement for legal cooperation on drug trafficking with Indonesia in 2005. Laos provided the U.S. with some limited mutual legal assistance, in the form of drug samples and a small amount of data on arrests and seizures. Laos has extradition treaties with China, Thailand, Vietnam, and Cambodia (August 2005). The GOL has assisted in the arrest and extradition of individuals to some of those nations, and recently extradited a major trafficker to Burma.

Cultivation/Production. The USG 2005 estimate for poppy cultivation is 5,500 hectares, and about 69 percent of the crop is concentrated in Phongsaly, Houaphan, and Luang Namtha provinces in northern Laos. Though cultivation declined in the majority of districts in Phongsaly, the province, Laos' northernmost, still had the greatest concentration with an estimated 2,750 hectares. Oudomxai Province had the greatest decline in production, down 75 percent from 2004. USG methodology included imagery samples from satellites. With USG support, UNODC and the GOL conducted an opium yield survey in 2005. According to the survey report published in June 2005, poppy cultivation is in a range from 2,900 to 900 hectares, with a mean value of 1,800. The UNODC utilized a helicopter survey of 30 segments approximately 6 km. in diameter and the air corridor connecting them. Digital cameras recorded opium fields for later analysis. In addition, 21 teams conducted surveys with the headmen of 189 villages in eight provinces. According to the USG estimate, 2005 potential production is about 28 metric tons, while the UNODC/GOL figure is 14. Drought significantly affected production in 2005, with USG estimated yields ranging from 3 to 7 kilograms per hectare, and UNODC estimates at an average of 8 kilograms per hectare.

This reduction in cultivation and production is a significant milestone in the nation's opium elimination efforts. From a high of 42,130 hectares when U.S. funded crop control programs began in 1989, the current estimate is an 87 percent reduction, and for the UNODC survey, a 93 percent reduction from a high of 26,800 hectares in 1998. According to the USG survey, cultivation declined in all provinces where opium production has historically been a problem, and the fields that remain are becoming smaller, more remote, and better concealed.

The decrease in production is another significant milestone for Laos, a 93 percent reduction from the estimated 380 tons produced in 1989. UNODC survey results indicated that production has fallen to the point that most of the opium produced in Laos is for domestic consumption by the nation's addicts, rather than export, and that this would remain true even at the higher production levels given in the USG estimates. This conclusion is supported by the sharp increase between 2004 and 2005 in the price paid per kilograms to local opium producers, the consequence of reduced supply.

The USG has not received any verifiable reports on the production of ATS in Laos, but the paucity of law enforcement resources in remote regions makes it highly vulnerable to regional traffickers seeking new locations for clandestine labs. For example, in one province, 14 officers must police more than 16,000 square kilometers of rugged and inaccessible terrain. Based on seizures of illegal cannabis during 2005 in northeast Thai provinces, there may be significant and expanding "contract" cannabis

production, possibly financed by Thai traffickers in southern Laos. Complicating this problem is the continuing use of cannabis as a traditional food seasoning in some locations.

USG-supported crop control programs do not employ herbicides or any other form of forced eradication. Where crops are cut down, the cultivators themselves do the eradication as a condition of a written agreement between villages and the GOL not to produce opium.

Drug Flow/Transit. While it is not possible currently to get an accurate assessment of illicit drug distribution in Laos, addiction and use rates for opium and ATS respectively suggest that while distribution of the former may be in decline, the latter is increasing exponentially. Individuals or small-scale merchants perform the majority of street-level distribution, rather than large organized criminal gangs. There have been reports of some schoolteachers distributing ATS.

Opium distribution is limited, as users are generally addicts within a producing household or village. There is some opium distribution between villages, especially as remaining opium plots move into more remote and distant terrain less accessible to law enforcement agencies. Laos, despite the progress that it has made in reducing its addict population, continues to suffer from one of the highest opium addiction rates in the world. Laos's highly porous borders, dominated by the Mekong River and remote mountainous regions, are notoriously difficult to control and readily facilitate the trafficking of illicit drugs, although there are no reliable estimates of the volume of this flow. According to the UNODC, the growth in drug seizures near Laos' borders in neighboring countries may be evidence of an increasing transit problem. The flow includes methamphetamine, heroin, and precursor chemicals bound for other nations in the region, and ironically, the problem is likely to worsen as the transportation infrastructure in Laos improves. Illicit transit to the U.S. includes unrefined opium and local formulations of ATS, but not in sufficient quantities to have a significant effect.

Domestic Programs/Demand Reduction. The GOL has continued to build its drug treatment and counseling capacity, albeit with very limited resources. Opium education and detoxification is an integral part of the overall opium elimination campaign, and despite resource constraints, appears appropriately sized if austere for the addict population. Significant impediments to full treatment of all opium addicts include the ill health of many elderly users, the remote location of some addict populations, and the lack of sufficient rural health care infrastructure to displace the traditional medicinal use of opium, which often serves as the initial entree into addiction. In addition, the initial apparent success of detoxification often induces additional "hidden" addicts to come forward for treatment. Senior GOL leaders have expressed concern about growing ATS use among the nation's youth, and the GOL has initiated drug education and treatment programs to slow the growth in demand. With the assistance of the USG and Thailand, Laos currently has two major ATS treatment centers under construction, both of which will open before March of 2006. Others are being planned.

Demand reduction is Laos' best defense against ATS, and the GOL has instituted a number of programs to stem the demand, including drug awareness education and media campaigns. Unfortunately, the explosive growth in ATS is overwhelming the resources that the GOL and international donors have available to fight it. The GOL reported that ATS testing in some secondary schools showed an increase in use from 4 percent in 2003 to 27 percent in 2005, and anecdotal evidence suggests that many addicts are turning to crime as a means of supporting their addiction.

Laos' demand reduction efforts in 2005 produced mixed results, with significant reported gains against opium, but a worrying trend in the growth of ATS use. The GOL hopes to treat all opium addicts before the end of 2006, as significantly reducing opium addiction is critical to full elimination of cultivation. Laos had approximately 20,160 opium addicts as of May 2005, based on voluntary reports from villages, and set as an objective the treatment of 9,160 before year's end, 8,885 of whom were in the northernmost 11 provinces. As of November 2005, 6,112 of the addicts in the north had undergone treatment, approximately 69 percent of the target, and the GOL pressed provincial leaders to treat the remaining 31 percent as quickly as possible. This approach to stemming addiction is highly

questionable over the long term: the incentives to report someone treated and “cured” are simply too high. Worldwide, recidivism rates from “treated” opium/heroin addicts are on the order of 80 percent/90 percent.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The U.S. is Laos’ strategic partner in the battle against illegal drugs. Since 1989, the USG, through the State Department Narcotics Program (INL), has provided more than \$41 million to support GOL crop control, demand reduction, and law enforcement programs. Crop control funds support opium awareness campaigns, opium detoxification clinics, and the Lao-American Projects (LAP) in Phongsaly and Luang Prahbang Provinces. The LAPs utilize the alternative development programs described above in the Policy Initiatives section. The U.S.-Lao PDR Crop Control LOA prohibits the use of USG funds to support involuntary resettlement. Demand reduction funds provide support for ATS treatment centers, drug awareness programs, and data collection. Law enforcement funds support training and equipment purchases for CNUs and Customs. The USG also supports an array of counternarcotics programs through the UNODC.

The Road Ahead. Laos’ struggle against opium is in its endgame, but its fight against ATS is just beginning. To secure the victory over opium, robust alternative development must be sustained for the next 3 to 5 years. In many districts, villages have stopped cultivation or self eradicated with the promise of government support. If assistance is not soon forthcoming, these villages may revert to opium cultivation, and it will be much more difficult to persuade them to stop a second time. Detoxifying the remaining opium addicts, and offering them the best treatment possible is also essential, but claims of rapid success should be discounted given the very real problem of securing long-term success in defeating opiate addiction.

Laos does not have the law enforcement resources it needs to battle ATS, and it will have to rely on effective demand reduction to stem the tide of “Ya ba” sweeping the country. Programs that educate youth on the dangers of addiction, and treat those who succumb to addiction, should become the new focus for GOL counternarcotics efforts. Programs that train and equip law enforcement officers more effectively and improve the efficiency of the criminal justice system could help Laos to fight corruption, arrest major traffickers, secure its borders, interdict the flow of illicit drugs transiting the nation, and cooperate more effectively with international partners.

Malaysia

I. Summary

Malaysia is not a significant source country or transit point for U.S.-bound illegal drugs, though domestic abuse is on the rise and illicit labs located in Malaysia are increasing methamphetamine production. The Government of Malaysia (GOM) has established a “drug-free by 2015” policy. Malaysia’s competent counternarcotics officials and police officers have the full support of senior government officials. Cooperation with the U.S. on combating drug trafficking is excellent. The U.S. maintains active and successful programs for training Malaysian officials and police, and other regional counternarcotics officials. Malaysia is a party to the 1988 UN Drug Convention.

II. Status of Country

While Malaysian officials have expressed concern about rising rates of drug addiction in their own country, Malaysia is not a significant source country or transit point for U.S.-bound illegal drugs. Narcotics imported to Malaysia include heroin and opium from the nearby Golden Triangle area, and other drugs, primarily amphetamine type stimulants (ATS), including crystal methamphetamine and ecstasy. These imports either transit Malaysia bound for other markets such as Singapore, and Australia, or are consumed domestically. The drugs of choice for Malaysian users are heroin, morphine, marijuana, and methamphetamines, according to government statistics. The Malaysian government identified over 25,000 new drug addicts during the first ten months of 2005 through reporting from police, community organizations, and treatment centers, bringing the total since 1988 to about 286,000.

III. Country Actions Against Drugs in 2005

Policy Initiatives. Malaysia continues a long-term effort launched in 2003 to reduce domestic drug use to negligible levels by 2015. Senior officials, including the Prime Minister, speak out strongly and frequently against drug abuse. The Prime Minister chairs the Cabinet Committee on Eradication of Drugs, composed of 20 government ministers. The National Anti-Drugs Agency (NADA) is the policy arm of Malaysia’s counternarcotics strategy, coordinating demand reduction efforts with various cabinet ministries. Malaysian law stipulates a mandatory death penalty for major drug traffickers, with harsh mandatory sentences also applied for possession and use of smaller quantities. Of the 234 criminal executions during the period 1980-2000, according to government statistics, 175 were for drug offenses.

Law Enforcement Efforts. Police arrested nearly 35,000 persons for drug-related offenses during the January to September 2005 period, a 35-percent increase from the same period in 2004. Enforcement officials also seized 105 kilograms of heroin, 647 kilograms of marijuana, 36 kilograms of methamphetamine, 4 kilograms of opium, 105,000 ecstasy pills, 695,000 psychotropic pills, and nearly 8,800 liters of codeine. Malaysian police and prosecutors are effective in arresting small-time drug offenders, and are examining ways to prosecute larger crime rings. The Malaysian government this year began to enforce a law that allows prosecution of the owners and operators of entertainment outlets—in addition to the patrons of such outlets—where drug abuse occurs. According to media reports, over 1,000 suspected traffickers were detained in 2005 under Malaysia’s “special preventive measures,” which allow for detention without trial of suspects who pose a threat to national security. In August 2005, Malaysian police raided a warehouse near the capital of Kuala Lumpur, seizing 156 kilograms of ketamine in bulk granular form, along with quantities of ketamine pills, eramin-5, methamphetamine, and various other chemicals and compounds. Fifteen people were arrested. The

ketamine, valued at \$2.7 million, was apparently in transit from Chennai, India, to Hong Kong, to Shenzhen, China.

Corruption. In an apparently isolated case, two junior narcotics police officers were arrested in November 2005 for selling ecstasy that they had seized in a raid. The government is likely to seek the death penalty for them. While Malaysian and foreign media organizations continued to highlight cases of government corruption in general, no senior officials were arrested for drug-related corruption in 2005. As a matter of government policy, the GOA does not encourage or facilitate the illicit production or distribution of drugs or substances, or the laundering of proceeds from illegal drug transactions.

Agreements and Treaties. Malaysia is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by its 1972 Protocol, and to the 1971 UN Convention Against Psychotropic Substances. Malaysia is also a party to the UN Convention Against Transnational Organized Crime. Malaysia has just signed an MLAT with Australia, and is a party to the multilateral ASEAN MLAT. The U.S.-Malaysia Extradition Treaty has been in effect since 1997, though no extradition has yet occurred under that treaty.

Drug Flow/Transit. Drugs transiting Malaysia do not appear to make a significant impact on the U.S. market. However, Malaysia's proximity to the heroin production areas and methamphetamine labs of the Golden Triangle leads to smuggling across Malaysian borders, destined for Australia and other markets. Ecstasy from Amsterdam is flown into Kuala Lumpur International Airport for domestic use and distribution to Thailand, Singapore, and Australia. There is also at least some production of ATS in Malaysia, as evidenced by the take-down of a large methamphetamine lab in 2004 and the seizure of a substantial quantity of precursor chemicals awaiting use at that lab.

Domestic Programs (Demand Reduction). The NADA targets its demand reduction efforts toward youth, parents, students, teachers, and workers, with extensive efforts to engage schools, student leaders, parent-teacher associations, community leaders, religious institutions, and workplaces. Such programs continued during 2005. Government statistics indicate that 6,634 persons were undergoing treatment at Malaysia's 28 public rehabilitation facilities as of October 2005, a marked drop from last year's figure.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. U.S. counternarcotics training continued in 2005 via the International Law Enforcement Academy (ILEA) in Bangkok and the "Baker Mint" program sponsored by the U.S. Department of Defense. Baker Mint aims to raise the operational skill level of local counternarcotics law enforcement officers. In August 2005, U.S. officials from the Department of Justice, DEA and FBI presented a training workshop for Malaysian police and prosecutors on using their existing "Aiding and Abetting" laws to prosecute drug kingpins and their organizations.

The Road Ahead. United States goals and objectives for the year 2006 are to encourage the Malaysian government to use existing "Aiding and Abetting" laws more effectively against major drug traffickers; and to continue the excellent cooperation between Malaysian and U.S. law enforcement authorities. United States law enforcement agencies will take advantage of enhanced cooperation with Malaysian authorities to interdict drugs transiting Malaysia, and to follow regional and global leads. U.S.-funded counternarcotics training for Malaysian law enforcement officers will continue.

Mongolia

I. Summary

Drug trafficking and abuse are not widespread in Mongolia, but continue to rise and draw the attention of the government. Mongolia's young, burgeoning urban population is especially vulnerable to the growing drug trade. The government continues to implement the National Program for fighting Narcotics and Drugs adopted in March 2000. The initial five-year plan was completed in 2005, but the government has not yet decided on any changes for the next period. The National Council headed by the Chief of Police coordinates implementation of this program. The program is aimed at preventing drug addiction, drug related crimes, creating a legal basis for fighting drugs, implementing counternarcotics policy, and raising public awareness of the drug abuse issue. Mongolia is a party to the 1988 UN Drug Convention.

II. Status of Country

Mongolia's long unprotected borders with Russia and China are vulnerable to all types of illegal trade, including drug trafficking. Police believe most smuggled drugs come from China, and are carried by Mongolian citizens. Illegal migrants, mostly traveling from China through Mongolia to Russia and Europe, also sometimes transport and traffic in drugs. Police express particular concern that, if drug use in Mongolia continues to rise, organized crime involvement in the trade will grow beyond the current low levels. The government has made the protection of Mongolia's borders a priority. U.S.-sponsored projects to promote cooperation among security forces and training have provided some assistance. A lack of resources and technical capacity, along with corruption in the police forces and other parts of government, hinder Mongolia's ability to patrol its borders, detect illegal smuggling, and investigate transnational criminal cases.

III. Country Actions Against Drugs in 2005

Policy Initiatives/Law Enforcement. The Mongolian government and law-enforcement officials have increased their participation in international fora focused on crime and drug issues. Mongolia became a member of the Asia-Pacific Group on Money Laundering in 2004 and has committed to adhere to Financial Action Task Force (FATF) standards, while seeking participation and eventual membership in the FATF.

Drug Flow/Transit. Marijuana is the most widely used illegal drug. A small amount of marijuana is grown within the country, and appears to be consumed locally. Reports indicate that the availability and use of marijuana, heroin, cocaine, amphetamines, and over-the-counter drugs have increased. However, no reliable surveys exist of drug usage, nor is there any official database of drug convictions. The Mongolian government is alert to precursor chemical production and the potential for diversion. The government has closed some facilities, suspected of diverting chemicals, but foreign interest in securing precursor chemicals in Mongolia continues to surface.

Demand Reduction. Domestic, nongovernmental organizations work to fight drug addiction and the spread of narcotics abuse. International donors are working with the government to help Mongolia develop the capacity to address narcotics and related criminal activities before they become an additional burden on Mongolia's development.

Corruption. Mongolian internal corruption and related criminal activity appear unrelated to narcotics activities. The weakness of the legal system and financial structures (i.e., the absence of anti-money laundering and antiterrorist financing legislation), however, leaves Mongolia vulnerable to

exploitation by drug traffickers and international criminal organizations, particularly those operating in China and Russia. The reopening of the North Korean Embassy in Ulaanbaatar in August 2004 also heightens concern that the North Korean Government, through its Embassy in Ulaanbaatar, may again seek (as it did in the late-1990s) to finance North Korean diplomatic and other activities through narcotics trafficking, counterfeiting or other illicit activity.

Agreements and Treaties. Mongolia is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Mongolia also is a party to the UN Convention against Corruption. The government of Mongolia attempts to meet the goals and objectives of international initiatives on drugs. The United States and Mongolia have in force a customs mutual legal assistance agreement. During the year, Mongolia's Minister of Justice and Home Affairs visited Russia and discussed improved information exchange and cooperation on cross-border crime of all kinds, including narcotics.

IV. U.S. Policy Initiatives and Programs

U.S. government assistance has included international visitor programs on transnational crime and counternarcotics, as well as some training by U.S. law enforcement agencies.

North Korea

I. Summary

For decades, North Koreans have been apprehended trafficking in narcotics and engaging in other criminal behavior and illicit activity, including passing counterfeit U.S. currency and trading in copyrighted products. This year there were no public reports of specific incidents of narcotics trafficking with clear, demonstrable DPRK (Democratic People's Republic of Korea) links. However, given developments during 2005 that linked the DPRK to other forms of state-directed criminality, the Department reaffirms its view that it is likely, but not certain, that the North Korean government sponsors criminal activities, including narcotics production and trafficking, in order to earn foreign currency for the state and its leaders.

II. Status of Country

Substantial evidence exists that North Korean governmental entities and officials have laundered the proceeds of narcotics trafficking, counterfeit activities, and other illegal activities through a network of front companies, that use financial institutions overseas, for example in Macau, for their operations. On September 15, 2005, the U.S. Treasury Department designated Banco Delta Asia SARL in Macau as a "primary money laundering concern" under Section 311 of the U.S. Patriot Act, based on the finding that the bank represents an unacceptable risk of money laundering and other financial crimes. The U.S. Treasury Department noted that the bank "...has been a willing pawn for the North Korean Government to engage in corrupt financial activities through Macau." The Federal Register Notice on the designation cited "the involvement of North Korean Government agencies and front companies in a wide range of illegal activities, including drug trafficking and the counterfeiting of goods and currency" and specifically noted past arrests of North Koreans, including DPRK diplomats and officials, for narcotics trafficking and other criminal acts in twenty different countries since 1990.

In addition, indictments in the United States issued in 2005 and the ongoing work of several corporate investigative teams employed by the holders of major United States and foreign cigarette and pharmaceutical trademarks have provided compelling evidence of DPRK involvement in trademark violations carried out in league with criminal gangs around the world, including trafficking in counterfeit cigarettes and Viagra. The DPRK is also associated with production of high-quality counterfeit U.S. currency ("supernotes").

As reported in previous INCSRs, North Korean defectors and informants have long asserted that large-scale opium poppy cultivation and production of heroin and methamphetamine occurs in the DPRK. A defector identified as a former North Korean high-level government official wrote in a February 2004 "Jamestown Review" article that poppy cultivation and heroin and methamphetamine production were conducted in North Korea at the order of the regime. According to the article, the government engaged in drug trafficking to earn large sums of foreign currency unavailable to the regime through legal transactions. While this article and similar defector reports have not been verified by independent sources. Defector statements are consistent over the years and occur in the context of multiple narcotics seizures linked to North Korea and evidence of DPRK state entity involvement in other forms of criminality.

There were no seizures of methamphetamines in Japan during 2005 linked to North Korea. But 30 per cent to 40 per cent of methamphetamine seizures in Japan in past years have been linked to the DPRK. It is possible that methamphetamine manufactured in the DPRK is now identified as Chinese-source, because of the involvement of ethnic Chinese criminal elements working with the DPRK abroad, as well as within China, in the narcotics production/trafficking business.

The “Pong-Su” incident in Australia in April 2003 drew worldwide attention to the possibility of DPRK state trading of drugs. The “Pong Su”, a sea-going cargo vessel owned by a North Korean state enterprise, was seized after reportedly delivering a large quantity of pure heroin to accomplices on shore. The trial of the “Pong Su” captain and other senior officers, including a DPRK Political Secretary, began in late January 2005; a verdict is expected in early 2006.

III. Country Actions Against Drugs in 2005

DPRK officials have ascribed past instances of misconduct by North Korean officials to the individuals involved, and stated that these individuals would be punished in the DPRK for their crimes. A 2004 edition of the North Korean Book of Law contains the DPRK’s Narcotics Control Law. There is no information available concerning enforcement of this law or actions taken against North Korean officials and citizens involved in drug trafficking upon their return to North Korea.

IV. U.S. Policy Initiatives and Programs

The United States has made it clear to the DPRK that its involvement in a range of criminal and illicit activities, including narcotics trafficking, is unacceptable and must stop. The United States thoroughly investigates all allegations of criminal behavior impacting the United States by DPRK citizens and entities, prosecutes cases under U.S. jurisdiction to the fullest extent of the law, and urges other countries to do the same.

The Philippines

I. Summary

Philippine law enforcement agencies continued to target major traffickers and large clandestine drug labs. Official Philippine government arrest and seizure statistics reflect an overall decline in seizures, except in the case of diverted precursor chemicals, but this may reflect an effort by the Government of the Philippines (GRP) at providing more accurate statistical reporting to correct the inflated claims of previous years, rather than less success in counternarcotics efforts. The Philippine government continues to develop a dedicated counternarcotics capability in the Philippine Drug Enforcement Agency (PDEA), established by the GRP in 2002. Based on the quantity of seizures in 2005, the Philippines continues to be a producer of crystal methamphetamine. Evidence indicates some links between terrorist organizations and drug trafficking activities in the Philippines. Funding for the proposed priority programs identified by the 2005 GRP—U.S. Joint Law Enforcement Assessment of the Philippine National Police (PNP) could help address systemic problems within the Philippine National Police and implement a reform roadmap in which combined USG and GRP resources could improve counternarcotics programs and overall Philippine law enforcement capabilities in the next few years. The Philippines is a party to the 1988 UN Drug Convention.

II. Status of Country

Domestic production of crystal methamphetamine, locally known as “shabu,” exceeds demand, with most of the precursor chemicals smuggled into or illegally diverted after importation into the Philippines from the People’s Republic of China (PRC), including Hong Kong. Dealers sell shabu in crystal form for smoking. No production or distribution exists of methamphetamine in tablet form. Producers make methamphetamine in clandestine labs through a hydrogenation process that uses palladium and hydrogen gas to refine the liquid mixture into crystal form. PRC- and Taiwan-based syndicates have established the vast majority of the Philippines’ clandestine methamphetamine labs using a network of ethnic Chinese who possess the necessary technical skills. The Philippines also serves as a transshipment point for further export of methamphetamine of foreign manufacture to Australia, Canada, Japan, Korea, and the U.S. (including Guam and Saipan).

The Philippines produces, consumes, and exports marijuana. Philippine authorities continue to encounter difficulties stemming production. Marijuana cultivation is generally in areas inaccessible to vehicles and/or controlled by insurgent groups. Corruption and inefficiency among government officials also complicate eradication efforts. Most of the marijuana produced in the Philippines is for local consumption, with the remainder smuggled to Australia, Japan, Malaysia, and Taiwan.

MDMA commonly known as ecstasy, is gaining popularity as a recreational drug in the Philippines. Philippine authorities report use among young, prosperous adults, particularly in bars and clubs. Anecdotal reports cite increased availability, but enforcement actions against MDMA did not increase in 2005.

The Philippines has also seen a rise in the abuse and illicit conversion of ketamine hydrochloride (ketamine). Ketamine, generally used as an animal tranquilizer, was classified as a “dangerous drug” by the Philippine Dangerous Drugs Board on October 1, 2005, but several illegal ketamine laboratories were dismantled even before this reclassification.

III. Country Actions Against Drugs in 2005

Policy Initiatives. The Administration of President Gloria Macapagal Arroyo continues to concentrate on the full and sustained implementation of counternarcotics legislation and the institution building of PDEA as the lead counternarcotics agency. PDEA conducts investigations and continues to develop a training program. President Arroyo in 2002 created by executive order the Philippine National Police's (PNP) Anti-Illegal Drugs Special Operations Task Force (AIDSOTF). AIDSOTF's mission is to maintain law enforcement pressure on narcotics traffickers while PDEA builds its capacity. The GRP has developed and is implementing a counternarcotics master plan, the National Anti-Drug Strategy (NADS), which is carried out by the National Anti-Drug Program of Action (NADPA). The NADPA contains provisions for counternarcotics law enforcement, drug treatment and prevention, and international cooperation in counternarcotics, all of which are objectives of the 1988 UN Drug Convention. However, GRP efforts in 2005 concentrated chiefly on law enforcement. The major developments in 2005 were counternarcotics policy changes, especially the classification of ketamine as a dangerous drug and the greater emphasis on precursor chemicals in counternarcotics strategy.

Law Enforcement Efforts. Counternarcotics law enforcement in the GRP is a high priority, but suffers from a lack of resources. Law enforcement efforts are considered to be effective within the confines of their inadequate funding; there were no significant changes. GRP law enforcement agencies continued to target major traffickers and large clandestine drug labs. In 2005, GRP officials claimed to have seized narcotics worth approximately \$85,323,555; arrested 15,268 people for drug related offenses; and ultimately filed criminal charges in 10,241 drug cases. These numbers are all down from previous years, though marijuana seizures have increased. Asset forfeiture is not yet a component of Philippine narcotics enforcement.

Major evidentiary and procedural obstacles exist in the Philippines in building effective narcotics cases. Restrictions on the gathering of evidence hinder narcotics investigations and prosecution. Philippine laws regarding electronic surveillance and bank secrecy regulations also constrain the ability of prosecutors to build narcotics cases. The 1965 Anti-Wiretapping Act prohibits the use of wiretapping as well as the consensual monitoring of conversations and interrogations as evidence in court. Crimes against the State such as treason and sedition are the only exceptions to the Act. There are also no provisions to seal court records to protect confidential sources and methods. Pervasive problems in the law enforcement and criminal justice systems (i.e., rampant corruption, low morale, inadequate salaries, recruitment and retention difficulties, and lack of cooperation between police and prosecutors) hamper narcotics investigations and prosecutions. Perennial backlogs in the judicial system impede further the already slow pace of proceedings in narcotics cases. Under the Comprehensive Dangerous Drugs Act of 2002, only those courts designated as "Special Drug Courts" can hear drug cases, obliging GRP prosecutors to move cases previously filed in other courts into the Special Drug Courts. The Comprehensive Dangerous Drug Act also prohibits plea-bargaining in exchange for testimony; the GRP can reward cooperation with the filing of lesser charges, but not by reducing sentences. Throughout 2005, Philippine authorities continued to link drug trafficking activities to terrorist organizations. The Abu Sayyaf Group (ASG), a U.S. and UN-designated Foreign Terrorist Organization operating in extreme southwest Philippines, runs a protection racket for foreign trafficking syndicates. According to government estimates, the Communist Party of the Philippines/New People's Army (CPP/NPA), also a U.S.-designated Foreign Terrorist Organization with a nationwide presence, receives money for providing safe haven and security for many of the marijuana growers in the northern Philippine and collects "revolutionary taxes" on the sale of drugs.

The DEA Manila Country Office and Joint Inter-Agency Task Force-West (JIATF-W) are developing a network of Information Fusion Centers (IFCs) in the Philippines. The primary facility, the Maritime Drug Enforcement Coordination Center (MDECC), opened in July 2005 and is located at PDEA Headquarters in Metro Manila. Construction of a satellite center at the headquarters of the Naval Forces Western Mindanao, Zamboanga Del Sur (Southern Mindanao), was completed in October; a

second satellite center is being built at Poro Point, San Fernando (La Union), and is scheduled for completion in February 2006. Officers from the Philippine Navy, Coast Guard, PNP-Maritime Group, and the PDEA will staff the facilities. The purposes of the IFCs are to gather information about maritime drug trafficking and other forms of smuggling, and to provide actionable target information that the agencies at the IFCs can use to investigate and prosecute drug trafficking organizations.

Philippine authorities dismantled seven clandestine methamphetamine laboratories in 2005, down from 11 in 2004 and 2003. This decline may reflect a diversion of operational resources in the face of the GRP's new emphasis on ketamine. GRP law enforcement officials cite four factors behind the existence of domestic labs: 1) the simplicity of processing ephedrine into methamphetamine on a near one-to-one conversion ratio; 2) the crackdown on drug production facilities and processed methamphetamine in other methamphetamine-producing countries; 3) the lesser danger in trafficking in methamphetamine precursors (ephedrine) compared to the finished product; 4) the lack of law enforcement expertise and statutory power to detect diverted precursor chemicals used in clandestine labs and prosecutions that are limited to finished product rather than the chemical inputs. GRP authorities seized a total of 104 kilograms of methamphetamine, with an estimated value of \$3,781,821, and 34,353 kilograms of ephedrine (including pseudo-ephedrine and chlorephedrine), essential precursors in the production of methamphetamine. GRP seizures of precursor chemicals were up significantly in 2005. Philippine authorities dismantled 4 clandestine ketamine labs in 2005, and seized 7.8 kilograms of ketamine hydrochloride, valued at \$709,545. According to PDEA, Philippine authorities arrested 15,268 people for drug related offenses, a decrease of 9,953 individuals from 2004. The decline reflects the GRP's continuing strategy, introduced in 2004, of concentrating on larger distributors rather than users and low-level dealers. GRP authorities filed criminal charges in 10,241 drug cases. PRC- and Taiwan-based traffickers remain the most influential foreign groups operating in the Philippines. According to PDEA, Philippine authorities arrested individuals associated with and/or disrupted the operations of 86 out of the estimated 181 local drug rings and syndicates.

Corruption. Corruption among the police, judiciary, and elected officials continues to be a significant impediment to Philippine law enforcement efforts. The GRP has criminalized public corruption in narcotics law enforcement through its Dangerous Drug Act (DDA), which clearly prohibits senior GRP officials from engaging in, encouraging, or facilitating the illicit production or distribution of such drugs or substances, or the laundering of proceeds from illegal drug actions. There were no significant arrests or prosecutions under this law in 2005. There have been a few arrests of PNP and PDEA officers for dealing drugs and selling seized chemicals, both of which are also prohibited under the DDA. The USG has no evidence that any senior officials of the GRP engage in, encourage, or facilitate the illicit production or distribution of illegal narcotics, or participate in the laundering of proceeds from illegal drug transactions.

Agreements and Treaties. The Philippines is a party to the 1988 UN Drug Convention, as well as to the 1971 UN Convention on Psychotropic Substances, the 1961 UN Single Convention on Narcotic Drugs, and the 1972 Protocol Amending the Single Convention. The Philippines is a party to the UN Convention against Transnational Organized Crime and its protocols against trafficking in persons and migrant smuggling. The U.S. and the GRP continue to cooperate in law enforcement matters through a bilateral extradition treaty and MLAT. The Philippines has signed, but has not yet ratified, the UN Convention Against Corruption.

Cultivation/Production. Authorities have identified at least 98 marijuana cultivation sites spread throughout the mountainous areas of nine different regions of the Philippines. In 2005, Philippine law enforcement agencies continued to cooperate with units from the Armed Forces of the Philippines (AFP) in launching marijuana eradication operations, some of which took place in territory controlled by armed insurgent groups. New focus on significant drug traffickers, rather than small-scale marijuana farmers, resulted in several large seizures, including 103,257 sticks of marijuana, a 32-fold increase over the previous year. Using manual techniques to eradicate marijuana, government entities

claim to have successfully uprooted and destroyed 8,570,099 plants and seedlings, more than triple the number from the previous year. They also confiscated 26 kilograms of seeds, five times the number seized in 2004. The seized and eradicated marijuana crop was valued by the GRP at \$31 million. It should be noted, however, that PDEA has no mechanism for confirming these numbers, since the crops are destroyed immediately upon seizure.

Drug Flow/Transit. The Philippines is a narcotics source and transshipment country. Illegal drugs enter the country through seaports, economic zones, and airports. With over 36,200 kilometers of coastline and 7,000 islands, the Philippine archipelago is a drug smuggler's paradise. Vast stretches of the Philippine coast are virtually unpatrolled and sparsely inhabited. Traffickers use shipping containers, fishing boats, and cargo ships (which off-load to smaller boats) to transport multi-hundred kilogram quantities of methamphetamine and precursor chemicals. AFP and law enforcement marine interdiction efforts are hamstrung by deficits in equipment, training, and intelligence sharing. The Philippines is also a transshipment point for further export of crystal methamphetamine to Japan, Australia, Canada, Korea, and the U.S. (including Guam and Saipan). Commercial air couriers and express mail services remain the primary means of shipment to Guam and to the mainland U.S., with a typical shipment size of one to four kilograms. There has been no notable increase or decrease in transshipment activities in 2005.

Domestic Programs. The Comprehensive Dangerous Drugs Act of 2002 includes provisions that mandate drug abuse education in schools, the establishment of provincial drug education centers, development of drug-free workplace programs, and other demand reduction clauses. Abusers who voluntarily enroll in treatment and rehabilitation centers are exempt from prosecution for illegal drug use. While 2005 figures are not yet available, residential and outpatient rehabilitation centers reported 5,787 admission cases in 2004. Statistics from rehabilitation centers highlight the following: 1) the majority of patients are in the 20-29 age group; 2) 84 percent of the patients report methamphetamine is their drug of abuse; 3) a significant number of patients report abusing inhalants such as glue, and over-the-counter cough and cold preparations; 4) the ratio of male to female users is now 9:1 (compared to the reported 11:1 last year).

In its 2005 World Drug Report, the United Nations Office on Drugs and Crime (UNODC) estimated that 8.3 percent of the Philippine population abuses cannabis (marijuana) and amphetamine-type substances. The GRP's Dangerous Drug Board (DDB) conducted a detailed study in 2004 to determine the number of addicts or abusers involved in each drug category, but the results have never been released.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. The USG's main counternarcotics policy goals in the Philippines are to: 1) work with local counterparts to provide an effective response to counter the burgeoning clandestine production of methamphetamine; 2) cooperate with local authorities to prevent the Philippines from being used as a transit point by trafficking organizations affecting the U.S.; 3) promote the development of PDEA as the focus for effective counternarcotics enforcement efforts in the Philippines; and 4) develop an improved statutory framework for control of drug and precursor chemicals.

Bilateral Cooperation. The U.S. tries to assist Philippine counternarcotics efforts with training, and has been discussing assistance to the police and justice sectors.

The Road Ahead. The USG plans to continue work with the GRP to promote law-enforcement institution building and encourage anti corruption mechanisms via our JIATF-West presence as well as ongoing programs funded by Department of State (INL and S/CT, and USAID). Strengthening the counternarcotics bilateral relationship serves the national interests of both nations.

Singapore

I. Summary

The Government of Singapore (GOS) has stringent counternarcotics policies and enforces them, including strict laws with the death penalty for trafficking. It also has effective counternarcotics education programs. Singapore is not a producer of precursor chemicals or narcotics, but with its major port and modern sophisticated service sector, it is an attractive target for drug transshipment. Corruption cases involving Singapore's counternarcotics and law enforcement agencies are rare, and their officers regularly attend U.S.-sponsored training programs (as well as regional forums on drug control). Singapore is experiencing a decrease in narcotics trafficking and abuse, with the possible exception of synthetic drugs. According to GOS statistics, the number of drug abusers arrested decreased by 47 percent, while the number of new abusers arrested also decreased by 17 percent. Singapore is a party to the 1988 UN Drug Convention.

II. Status of Country

In 2005, there was no known production of illicit narcotics or precursor chemicals in Singapore. While Singapore itself is not a known transit point for drugs or precursor chemicals, it is the busiest transshipment port in the world, and the volume of cargo passing through its port makes it likely that some illicit shipments of drugs and chemicals do pass through Singapore.

III. Country Actions Against Drugs in 2005

Policy Initiatives. Singapore has continued to pursue a strategy of demand and supply reduction for drugs. This plan has meant that, in addition to arresting drug traffickers, Singapore has also focused on arresting and detaining drug abusers for treatment and rehabilitation. Singaporeans and permanent residents are subject to random drug tests. In addition, the Misuse of Drugs Act (MDA) gives the Central Narcotics Bureau (CNB) the authority to commit all drug abusers to drug rehabilitation centers for mandatory treatment and rehabilitation.

Law Enforcement Efforts. According to the most recent statistics available, arrests for drug-related offenses registered a sharp decline of 47 percent from 1,809 in 2003 to 955 in 2004. The number of persons detained for trafficking offenses and arrests for abuse and possession all declined. Arrests of heroin abusers fell by 80 percent, from 567 arrests in 2003 to 111 in 2004. The predominance of synthetic drugs is reflected in the composition of abusers arrested in 2004. Synthetic drugs include MDMA (ecstasy), methamphetamine and ketamine; together they accounted for 56 percent of abusers arrested. Singapore government statistics for 2004 show the composition of abusers by drug type is as follows: 32 percent ketamine; 20 percent nimetazepam; 13.1 percent methamphetamine; 12.3 percent marijuana; 11.6 percent heroine; 10.6 percent MDMA; and 0.4 percent cocaine.

In 2004, authorities executed 48 major operations during which they dismantled 24 drug syndicates. In September 2005, CNB made the largest ketamine seizure in Singapore history, yielding 3.24 kilograms. CNB seized 16,235 methamphetamine tablets ("Ya ba") in 2004, compared to 34,853 tablets seized in 2003. CNB seized 156,922 nimetazepam tablets in 2004, the largest amount seized since 1992 when nimetazepam became a controlled drug.

Corruption. The CNB is charged with the enforcement of Singapore's counternarcotics laws. The CNB and other elements of the government are effective and Singapore is widely recognized as one of the least corrupt countries in the world. Neither the government nor any senior government officials

engage in, encourage or facilitate the production or distribution of narcotics or other controlled substances, or the laundering of proceeds from illegal drug transactions.

Agreements and Treaties. Singapore is a party to the 1988 UN Drug Convention, the 1961 UN Single convention as amended by the 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Singapore and the United States continue to cooperate in extradition matters under the 1931 U.S.-U.K. extradition treaty. A November 2000 Drug Destination Agreement (DDA) signed by Singapore and the United States continues to be an important mechanism for facilitating cooperation between the countries on drug cases. The agreement provides for cooperation in asset forfeiture and sharing of proceeds in narcotics cases. For instance, on October 7, 2005, the U.S. Marshals Service received \$104,023.88 from Standard Charter Bank in Singapore as part of a forfeiture order in a highly publicized case involving money laundering and conspiracy to import hashish into the United States in the late 1990's. The DDA also facilitates the exchange of banking and corporate information on drug money laundering suspects and targets. Singapore has signed, but has not yet ratified, the UN Convention against Transnational Organized Crime and the UN Convention Against Corruption. . In 2001, Singapore signed the Drug Designation Act (DDA) allowing for close cooperation with the United States on Drug and Money Laundering investigations.

Cultivation/Production. There was no known cultivation or production of narcotics in Singapore in 2004 or 2005.

Drug Flow/Transit. Singapore has the busiest (in tonnage) seaport in the world. Approximately 80 to 90 percent of the goods handled by its port are in transit or being transshipped, and do not enter Singapore's customs area. Due to the extraordinary volume of cargo shipped through the port, it is highly likely that some of that cargo contains illicit materials. Singapore does not require shipping lines to submit data on the contents of most transshipment or transit cargo unless there is a Singapore consignee to the transaction. The lack of such information makes enforcement a challenge. Customs authorities rely on intelligence to discover and interdict illegal shipments. Absent specific information about a drug shipment, GOS officials have been reluctant to impose tighter reporting or inspection requirements at the port out of concern that this would interfere with the free flow of goods and thus jeopardize Singapore's position as the region's primary transshipment port. However, scrutiny of goods at ports has increased. In January 2003, Singapore's new export control law went into effect; while the law seeks to prevent the flow of weapons of mass destruction-related goods, the controls introduce scrutiny on some transshipped cargo. In March 2004, Singapore became the first Asian port to commence operations under the U.S. Container Security Initiative (CSI), under which U.S. Customs personnel prescreen U.S.-bound cargo. While this initiative also is aimed at preventing WMD from entering the United States, the increased information and scrutiny could also aid drug interdiction efforts.

The CNB works with the DEA to closely track the import of modest amounts of precursor chemicals for legitimate use in Singapore. CNB's precursor unit monitors and investigates any suspected diversion of precursors for illicit use. The CNB also monitors precursor chemicals that are transshipped through Singapore to other regional countries, although, as noted above, data on transshipment and transit cargo are limited. Singapore notifies the country of final destination before exporting transshipped precursor chemicals.

Domestic Programs (Demand Reduction). Singapore uses a combination of punishment and rehabilitation against first-time drug offenders. Many first-time offenders are given rehabilitation instead of jail time, although the rehabilitation regime is mandatory and rigorous. The government may detain addicts for rehabilitation up to three years. In an effort to discourage drug use during travel abroad, CNB officers may require urinalysis tests for Singapore citizens and permanent residents returning from outside the country. Those who test positive are treated as if they consumed the illegal drug in Singapore. Adopting the theme "Prevention: The Best Remedy," Singapore authorities

organize sporting events, concerts, plays, and other activities to reach out to all segments of society on drug prevention. Drug treatment centers, halfway houses, and job placement programs exist to help addicts reintegrate into society. At the same time, the GOS has toughened antirecidivist law. Three-time offenders face long mandatory sentences and caning. Depending on the amount of drugs carried, convicted drug traffickers are subject to the death penalty, regardless of nationality.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Singapore and the United States continue to enjoy improving law enforcement cooperation. In fiscal year 2005, approximately 33 GOS law enforcement officials attended training courses at the International Law Enforcement Academy (ILEA) in Bangkok on a variety of transnational crime topics. Singapore has provided some assistance in pending cases under the 2000 agreement. In October 2005, the Singaporean government transferred the first seized narcotics assets to the United States since the 2001 implementation of the DDA.

The Road Ahead. The United States will continue to work closely with Singapore authorities on all narcotics trafficking and related matters. Increased customs cooperation under the Container Security Initiative will help further bolster law enforcement cooperation. Improved communication on requests under the 2000 agreement should help improve cooperation as well.

South Korea

I. Summary

Narcotics production or abuse is not a major problem in the Republic of Korea (ROK). However, continuing reports indicate that an undetermined quantity of narcotics is smuggled through South Korea enroute to the United States and other countries. South Korea has become a transshipment location for drug traffickers due to the country's reputation for not having a drug abuse problem. This, combined with the fact that the South Korean port of Pusan is one of the region's largest ports, makes Korea an attractive location to divert illegal shipments coming from more countries, which might more likely attract a contraband inspection upon arrival. In response, the South Korean government has taken significant steps to thwart the transshipment of drugs through its territory. The ROK is a party to the 1988 UN Drug Convention.

II. Status of Country

Drugs available in the ROK include methamphetamine, heroin, cocaine, marijuana and club drugs such as LSD and ecstasy. Methamphetamine remains the drug of choice, while heroin and cocaine are only sporadically seen in the ROK. Club drugs such as ecstasy and LSD continue to grow in popularity among college students. No clandestine labs have been found in the ROK for over five years and it is believed that most of the LSD and ecstasy used in South Korea comes from North America or Europe.

III. Country Actions Against Drugs in 2005

Policy Initiatives. In 2005 the ROK National Assembly approved amended legislation, which enhanced the control of certain precursor chemicals. Throughout 2005 the Korean Food and Drug Administration (KFDA) concentrated its efforts on implementing these controls. Previously, Korean authorities could only bring administrative charges of mislabeling against companies that transshipped precursor chemicals through Korea. The recent legislative action enhances the controls and allows for criminal sanctions. The lead agency for this initiative, KFDA, has extremely limited investigative and enforcement resources and is only able to assign a limited number of persons to monitor the precursor chemical program. Still, this important change in legislation demonstrates South Korea's recognition of the need for an enhanced precursor chemical program.

Accomplishments. The ROK has identified the transshipment of narcotics and the diversion of dual-use precursor chemicals as its most serious narcotics trafficking issues, and has taken aggressive, proactive steps in response. To curb the flow of drugs through airports, South Korean law enforcement has increased its presence and implemented tighter screening procedures, including enhanced examination of persons, luggage, express mail, and cargo. To better manage the potential for diversion of precursor chemicals, the ROK created a precursor chemical program with greater power to punish offending companies. In 2005, no cargo containers routed through Korea were identified as carrying drugs or illegally-diverted precursor chemicals, although intelligence indicated that these items had successfully transshipped through ROK ports. However, in 2004, the U.S. DEA and the Korea Customs Service tracked two large transshipments of illicitly diverted precursor chemicals as they transshipped through ROK, resulting in seizures at the final destinations.

Law Enforcement Efforts. The DEA Seoul Country Office has focused its efforts on the seizure of funds related to illicit narcotics. DEA Seoul organized a one-week training session for members of the Korean National Policy Agency's narcotics units, the Korea Customs Service, the Korean National

Intelligence Service, the Korean Maritime Police and the Korean Supreme Prosecutor's Office on narcotics investigations at the Korean Police University. Additionally, U.S. Department of Justice prosecutors provided training on asset forfeiture, as it related to narcotics seizure, for 28 prosecutors and five senior prosecutor investigators from the Korean Supreme Prosecutors Office, and two members of the Korean Financial Intelligence Unit. The numbers of persons arrested in South Korea for use of psychotropic substances, mostly club drugs, decreased from 4,478 persons to 4,362 persons (a 2.5 percent decrease) while persons arrested for marijuana use fell from 940 to 852 (a 9.3 percent decrease). The overall arrest rate for drug offenders fell slightly from 6,529 arrests in 2004 to 5,942 arrests in 2005 (a 8.9 percent decrease). It should be noted that the figures for both years are based on the first ten months of the year. Total figures for 2005 were not available. The amount of ecstasy seizures decreased significantly from 20,385 tablets in 2004 to 9,795 tablets in 2005. Seizures of trafficked marijuana were down by one third, from about 16 kilograms in 2004 to approximately 10 kilograms in 2005. This is probably a result of high profile, stepped up customs procedures at the airports discouraging traffickers from moving drugs with human "mules". Heroin is generally not used by Koreans and cocaine is used only sporadically with no indication of its use increasing.

Corruption. Although isolated reports of official corruption continue to appear in the ROK's vigorous free press, there is no evidence that any official corruption adversely influenced narcotics law enforcement in the ROK. As a matter of government policy, the ROK does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions.

Agreements and Treaties. The U.S. and Korea have an extradition treaty and a mutual legal assistance treaty in force. South Korea is a party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 UN Single Convention, as amended by its 1972 Protocol. South Korea has signed, but has not yet ratified, the UN Convention on Transnational Organized Crime, and the UN Convention against Corruption. Korean authorities exchange information with international counternarcotics agencies such as UNODC and INTERPOL, and have placed National Police and/or Customs Attaches in Thailand, Japan Hong Kong, China and the United States.

Cultivation/Production. Legal marijuana and hemp growth is licensed by local Health Departments. The hemp is used to produce fiber for traditional hand-made ceremonial funeral clothing. Every year, each District Prosecutor's Office, in conjunction with local governments, conducts surveillance into suspected illicit marijuana growing areas during planting or harvesting time periods to limit possible illicit diversion. In 2004, a dramatic increase of 58,755 plants was seized by local authorities. However, in 2005, the number of plants seized was an extremely low 3,464. Marijuana production is heavily dependent on natural conditions. Opium poppies are grown in the Kyonggi Province and farmers have traditionally used the harvested plants as a folk medicine remedy to treat sick pigs and cows. Opium is not normally processed from these plants for human consumption. All such plants are grown illegally, since South Korea forbids the growing of poppies for any reason. Each year, each District Prosecutor's Office, in conjunction with local governments, conducts surveillance into suspected poppy growing areas during planting and harvesting. They seized approximately 34,926 plants during the first ten months of 2005.

Drug Flow/Transit. Few narcotics drugs originate in South Korea, and none are known to be exported. However, Korea does produce and export the precursor chemicals acetone, toluene and sulfuric acid. Most Koreans who attempt to smuggle methamphetamine into Korea travel from China, and on a few occasions, the smugglers have indicated that the methamphetamine originated from North Korea and was simply transshipped through China. A majority of the LSD and ecstasy used in South Korea has been identified as coming from North America or Europe. People living in metropolitan areas of Korea are known to use marijuana originating from South Africa and Nigeria, whereas those living in rural areas appear to obtain their marijuana from locally produced crops.

Narcotics transshipped through ROK come from Thailand, China, North Korea and Canada for heroin; Iran, Nigeria, and South Africa for marijuana and hashish; United States, Canada and Spain for ecstasy; and China, Thailand, the Philippines and North Korea for methamphetamine. Chemicals used for manufacturing illicit drugs, such as potassium permanganate, ephedrine and acetic anhydride, originate mostly in China for transshipment to South America and the Middle East.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives and Programs. Embassy Seoul's DEA and Immigration and Customs Enforcement (ICE) officials work closely with Korea narcotics law enforcement authorities, and the DEA considers this working relationship to be excellent.

Bilateral Cooperation. The DEA in Seoul recently completed a survey of chemical monitoring programs operating in other Asian countries and forwarded the results to the Korean Food and Drug Administration to highlight the importance of the steps being taken by neighboring countries. DEA also works closely with the Korean Supreme Prosecutor's office and the Korea Customs Service, which monitor airport and drug transshipment methods and trends, including the use of international mail by drug traffickers.

The Road Ahead. Korean authorities have expressed concern that the popularity of South Korea as a transshipment nexus may lead to a greater volume of drugs entering Korean markets. Korean authorities fear increased accessibility and lower prices could stimulate increased domestic drug use in the future.

Taiwan

I. Summary

Although there is little evidence to suggest that Taiwan is again becoming a transit/transshipment point for drugs bound for the U.S., Taiwan-based methamphetamine organizations continue to supply experts such as chemists and technicians to oversee large-scale methamphetamine laboratories and production in other countries in the East Asia/Pacific region. In 2005, no new counternarcotics legislation was passed by the Taiwan's Legislative Yuan. Cooperation on drug trafficking issues continues to be guided by the Mutual Legal Assistance Agreement (MLAA) between the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office (TECRO) in the United States. Taiwan is not a member of the UN and therefore cannot be a party to the 1988 UN Drug Convention. Nevertheless, Taiwan authorities have amended and passed legislation consistent with the goals and objectives of this Convention.

II. Status of Taiwan

The People's Republic of China (PRC), North Korea, Thailand, Burma and the Philippines are the primary sources of drugs smuggled into Taiwan. Taiwan traffickers in Thailand and Burma continue to export heroin for distribution in Taiwan or onward to other international markets. Domestically, the use of crystal methamphetamine and club drugs such as MDMA and ketamine also continued to rise in 2005. Taiwan has become a consumer and importer of ketamine originating in India. Efforts to stem the flow of heroin and other drugs from Taiwan to the U.S. have been successful in large part because of enhanced coast guard and customs inspections, airport interdiction and intelligence sharing. However, several Taiwan-based organizations continue to have a direct impact on the United States, specifically by shipping precursor chemicals and drugs to the U.S. and Canada. Taiwan is also believed to be a transshipment point for drug flows to Japan.

III. Actions Against Drugs in 2005

Policy Initiatives. Taiwan's Legislative Yuan (LY) did not enact any new narcotics control legislation in 2005. Legislation that would permit the use of confidential sources and undercover operations continues to languish in committee, a victim of partisan politics and gridlock in the LY that has stalled other initiatives. A proposal to create a single narcotics control agency modeled after the U.S. DEA is still discussion by various Taiwan law enforcement organizations and has yet to be acted on.

Accomplishments. One of the highlights of counternarcotics cooperation in 2005 has been the continued receipt of drug samples by DEA from drug seizures made by Taiwan law enforcement agencies for DEA's Drug Signature Program. There was a significant increase in the number of drug samples DEA received from various Taiwan law enforcement agencies in 2005, including the first samples of MDMA (ecstasy) and methamphetamine. In early 2005, Taiwan authorities conducted their second controlled delivery operation resulting in the successful seizure of approximately seven kilograms of heroin and delivering a major setback to a distribution network in central Taiwan.

Law Enforcement Efforts. The Ministry of Justice, Investigation Bureau (MJIB) continues to lead Taiwan's drug enforcement efforts with respect to manpower, budgetary and legislative responsibilities. However, the National Police Administration's Criminal Investigation Bureau (NPA/CIB), Foreign Affairs Police Brigade, Aviation Police Bureau, Military Police Command, Coast Guard Administration (CGA) and Customs all contributed to the counternarcotics effort in 2005. For instance, in 2004 MJIB, in conjunction with the DEA, began an investigation into precursor chemicals

being sent to the United States for the production of drugs. At present, Taiwan is assisting the DEA in an investigation concerning the seizure of over 40,000 kilograms of potassium permanganate in route to Colombia and Mexico that would have been used to process cocaine. MJIB CIB and GGA also continue to share information and coordinate investigative activities with DEA.

From January through November 2005, Taiwan authorities seized 480.17 kilograms of methamphetamine, 2,406.56 kilograms of semi-processed amphetamine, 77.69 kilograms of heroin, 27.02 kilograms of MDMA (ecstasy), 186.79 kilograms of ketamine, 396 grams of Tablet ecstasy and 4.28 kilograms of marijuana. Authorities also reported the seizure of 6182.20 kilograms of precursor chemicals used in the production and processing of synthetic drugs.

Corruption. There is no indication that either the Taiwan authorities or senior officials in Taiwan, as a matter of policy, encourage or facilitate illicit production or distribution of narcotics or psychotropic drugs or other controlled substances, to include the laundering of proceeds from illegal drug transactions. No cases of official involvement in narcotics trafficking were reported in 2005, but some level of corruption would be expected with the scale of drug trafficking occurring in Taiwan.

Agreements and Treaties. In 1992, AIT and its Taiwan counterpart, TECRO, signed a Memorandum of Understanding on Counternarcotics Cooperation in Criminal Prosecutions, and in 2001, AIT and TECRO signed a Customs Mutual Legal Assistance Agreement. In March 2002, the AIT-TECRO Mutual Legal Assistance Agreement (MLAA) entered into force and remains the primary avenue for cooperation. All these agreements continue to govern and encourage narcotics cooperation between the U.S. and Taiwan.

Drug Flow/Transit. The PRC, North Korea, Thailand, Burma and the Philippines remain the principal sources for heroin, methamphetamine, and club drugs for Taiwan. Criminal syndicates continue to rely upon fishing boats, cargo containers and couriers to smuggle drugs into Taiwan. Taiwan is also believed to be a transshipment point for drugs going to Japan as well as precursor chemicals to mainland China.

Domestic Programs. The Ministry of Education and the Taiwan National Health Administration remain committed to partnerships with various civic and religious groups to raise awareness about the dangers of drug-use and educate the public about the availability of treatment programs.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The United States' main counternarcotics policy goal, in cooperation with Taiwan, continues to be a coordinated effort to prevent Taiwan from returning to its earlier status as major transit / transshipment point for U.S.-bound narcotics. In 2005, the DEA conducted several training seminars for Taiwan law enforcement agencies, focusing on undercover and controlled delivery operations, precursor chemical control, clandestine lab investigations and airport interdiction. The DEA also sponsored two Coast Guard Administration officers and a NPA/CIB agent to attend a drug intelligence training seminar in Quantico, Virginia. The various Taiwan law enforcement agencies continue to regularly share intelligence and investigative leads with the DEA, and in turn, enjoy a close working relationship with DEA's Hong Kong office and AIT's Regional Security Office. In 2005, MJIB, the Coast Guard Administration and NPA/CIB all participated and cooperated with DEA in joint investigations. As a result of this close working relationship, several significant arrests and drug seizures were made throughout the EAP region.

The Road Ahead. AIT and DEA maintain an excellent working relationship with Taiwan's various counternarcotics agencies and will continue to enhance cooperation in the coming year. The DEA has provided precursor chemical control clandestine lab safety training to Taiwan counterparts with the intent of creating a Taiwan-wide clandestine lab investigative and response capability program. Additional training on undercover operations is planned in the event legislation authorizing the use of

such investigative techniques is passed by the LY. DEA will also continue to promote the Drug Signature program to receive more samples of drugs seized in Taiwan.

Thailand

I. Summary

Thailand remains one of the United States' foremost partners in combating drug trafficking and international crime. Thailand continued its regional leadership role by initiating a crop substitution advisory program with the government of Afghanistan. Thai-U.S. bilateral cooperation is exemplary and joint investigations are routinely conducted between Thai counternarcotics entities and the U.S. Drug Enforcement Administration (DEA). DEA and its predecessor agencies have successfully operated in Thailand since 1963. Thailand remains a transit nation for heroin, opium and methamphetamine enroute to international markets, but with no significant impact on the U.S. While most of the heroin produced in the Golden Triangle (where Burma, Laos and Thailand meet) now transits southern China, substantial amounts pass through the porous north and northeast Thai borders with Burma and Laos enroute to world markets. Small amounts of opium enter Thailand from Laos, while trafficking of crystal methamphetamine (Ice) from Burma into Thailand increased in 2005, primarily in transit to regional markets but also to satisfy a limited, but growing, Thai demand.

Thailand is a victim of drug trafficking as much as it is a transit country/transshipment point, as use of methamphetamine tablets, locally known as "Ya Ba" (crazy drug), permeates Thai society. While the Government of Thailand's controversial 2003 campaign against "Ya Ba" has had lasting impact (the price of individual tablets still remains three times what it was in 2003), drug users have begun moving into other areas of abuse to include ketamine, ecstasy and marijuana. The Government of Thailand (RTG) admits that the drug situation in the country "has taken a turn for the worse," noting that drug use among Thai youth may be up by as much as 20 percent. The Thai Office of the Narcotics Control Board (ONCB) has expressed concern over the rise in use of both methamphetamine and heroin among teenagers in North Thailand, and claims that most drug suspects caught recently are new to drug abuse. The United States supports Thailand's efforts to aggressively continue its national drug control strategies, as well as RTG efforts to assist neighboring nations in drug control and drug abuse treatment programs. Thailand is a party to the 1988 UN Drug Convention.

II. Status of Country

The primary illicit drug threat to Thai society continues to be large quantities of methamphetamine tablets that are smuggled from jungle labs in Burma. Thailand is no longer a significant producer of opium or heroin, and no heroin laboratories have been found inside the country in many years, although rumors about such labs surface periodically. Cocaine, "Ice" (crystal methamphetamine), ecstasy, and ketamine (a veterinary pain killer) were not produced in Thailand during 2005, but rather trafficked through and into the country. Cultivation of opium poppy continues on a very small scale in hill tribe regions, and there is no solid evidence that large quantities of methamphetamine tablets or the crystallized "Ice" form of the drug are produced locally. Some marijuana is grown for local use, and Thai traffickers are said to pay farmers in neighboring Cambodia and Laos to grow marijuana for the Thai and regional markets.

Methamphetamine remains, by far, the most commonly used illicit drug in Thailand, although the Thai ONCB reports that arrests and seizures related to this drug continued to decline in 2005. This trend reflects the RTG's aggressive enforcement policies against methamphetamine over the past several years. Marijuana use continues throughout the country and the market for ecstasy is expanding although the high price limits its abuse to more affluent users. The cocaine market remains very limited—centered mostly in relatively wealthy foreign tourist and expatriate communities. Thailand is becoming a venue for illicit Internet drug sales direct to cities in the United States and worldwide.

Millions of tablets of prescription drugs are sold illegally each year. Criminal organizations that offer prescription drugs and steroids over the Internet are well-organized, closely-knit operations with direct access to drug wholesalers. The Thai government is also concerned about the increased use of ketamine as a substitute for methamphetamine. Seizures of Ice increased in 2005, although they remain small. The consensus view among U.S. and Thai law enforcement agencies is that most smuggled Ice was intended for export to regional markets. Thai or Chinese traffickers arrange large drug transactions out of Burma. International traffickers, including Hong Kong Chinese, Taiwanese, and West Africans are responsible for controlling virtually all of the heroin and methamphetamine coming out of Thailand, while West Africans dominate the smuggling of cocaine into Thailand. Ecstasy is trafficked by a range of groups, some small and some based abroad. The northern Thai border with Burma has become an increasing challenge for traffickers, as police and military counternarcotics units have significantly increased their presence and interdiction activities. As a result, drug traffickers are increasingly transporting their product from Burmese production bases through Laos and even through Cambodia in order to attempt entry into northeast Thailand. Thai officials know that their borders with Laos and Cambodia are vulnerable and have shifted resources to meet the threat.

III. Country Actions Against Drugs in 2005

Policy Initiatives. There were no new policy initiatives in 2005, but Thailand aggressively pursued its law enforcement efforts against smuggling of illicit drugs across its land and river borders. It continued aggressive law enforcement actions against illicit drug distributors, and by far the largest category of arrests continued to be in connection with methamphetamine. The RTG continues to rely on its two effective counternarcotics agencies: the ONCB and the Royal Thai Police Narcotics Suppression Bureau (PNSB). The government also continued its policy of treatment as an alternative to incarceration for drug abusers. Drug treatment institutes and hospitals continue to implement and expand the UCLA-pioneered MATRIX treatment program as part of the national methamphetamine drug abuse treatment strategy. In 2005, Thailand hosted the UN Crime Congress.

Accomplishments. Thailand continued its effective and comprehensive crop substitution programs in northern Thailand that are key contributors to the nation's success in virtually eliminating the cultivation and production of opium. Under the personal leadership of the Thai Monarch since the late 1970's, cash crops such as coffee, tea, flowers, and fruits were steadily introduced as viable alternatives to opium poppy and have proven exceptionally successful. Local hill tribe farmers have come to rely almost completely upon the income generated by these high value crops, and their interest in opium poppy cultivation has subsequently waned. The sustained leadership of the Royal Projects and Mae Fah Luang foundations and the commitment of the RTG continue to provide a suitable standard of living for these former opium-growers. Their handicraft products and some of their crops are extensively marketed throughout the Kingdom and internationally, providing economic benefits to thousands of hill tribe people. The Royal Thai Army continued its aggressive crop eradication program that each year destroys an estimated 90-98 percent of the few small areas in northern Thailand where poppy is still grown. Army ranger teams, aided by intelligence gathered during aerial opium field surveys, destroyed numerous small patches of poppy before opium pods were ready for harvest. Occasional unconfirmed reports surfaced of small-scale repackaging laboratories in northern Thailand, where imported methamphetamine tablets are crushed, diluted with filler, then pressed into new tablets. No interdictions of this type of activity took place, however, in 2005.

The ONCB reports substantial seizures of property and liquid assets from drug-related cases during 2005. All figures show a steady, significant increase during the past 13 years, which is indicative of more effective, aggressive law enforcement activity by RTG agencies.

Demand Reduction. Thailand's approach to reducing the demand for illicit drugs encompasses a combination of stiff punishment for traffickers and an expanding program of treatment and rehabilitation for abusers. In the past two years, the Thai government has taken positive steps to substitute treatment programs for prison terms in instances where the individual concerned was clearly in possession of drugs for personal use and no distribution was intended. At the same time, the RTG continued its policy of stern punishments for violations of drug laws. Asserting that its strict policies have had beneficial results, Thai officials cite the current street price for methamphetamine—300 Baht per tablet compared to 100 Baht before the crackdown in 2003. The RTG also notes its success in interdicting, arresting and prosecuting drug traffickers.

Law Enforcement Efforts. The Police Narcotics Suppression Bureau (NSB), the ONCB and Royal Thai Police Regions 3 & 4, have together been developing a narcotics suppression strategy to be employed in northeastern Thailand. Part of this strategy entails the establishment of a highway interdiction program along the Friendship Highway, the main thoroughfare connecting Laos to Bangkok. ONCB reports frequent drug interdiction activity in 2005, with seizures of 889 kilograms of heroin, 13.4 million methamphetamine tablets (ya baa), 32,438 ecstasy tablets, 5,737 kilograms of opium, 9,997 kilograms of marijuana, 271 kilograms of Ice, 44 kilograms of ketamine, 2.6 kilograms of cocaine, 669 kilograms of codeine, and 107 kilograms of inhalant substances. Distribution of prescription drugs and steroids by small, well-organized groups using the Internet also grew. Thai authorities have cooperated with U.S. law enforcement agencies regarding this problem, but do not share the same sense of urgency because the steroids and drugs being shipped are not themselves illegal or controlled in Thailand and do not require prescriptions for possession or use. There are 200 persons on death row for drug trafficking offenses. A criminal court sentenced a well-known former singer to 50 years in jail for possession with intent to sell 3,000 ecstasy pills, 4 bottles of ketamine and 5 grams of marijuana. A Hong Kong man, in the company of the singer, pled guilty to the charges and received life imprisonment. A sting operation resulted in two other defendants being sentenced to life imprisonment for possession of 40,000 methamphetamine tablets with intent to sell.

In 2005, joint Thai-DEA investigations resulted in substantial seizures of heroin, methamphetamine tablets, Ice, marijuana, and drug money seizures equivalent to nearly \$500,000. Thai authorities unilaterally seized even greater quantities of drugs, money and other assets. United States law enforcement agencies continue to provide substantial training to Thai government officials, which further enhanced cooperation. One notable Thai-DEA enforcement action in 2005 resulted in seizure of 54 kilograms of heroin and 55 kilograms of Ice in a northern Thai border town and four arrests. Another investigation targeted a worldwide African trafficking organization that smuggles drugs into Europe, Thailand, and the U.S. and supplies fraudulent documents to other drug trafficking organizations. Thailand also cooperated with the U.S. to investigate Israeli drug traffickers and Colombian money launderers. Thai agencies conducted successful operations that kept large quantities of heroin and other illicit drugs from reaching international markets. Royal Thai Marine Police stopped the Hong Kong fishing trawler Yueng Shing in international waters, seizing 610 kilograms of heroin and 10,000 methamphetamine tablets and arrested five crewmen. Debriefings identified a foreign national as the intended buyer. Thai officials also seized multiple shipments of compressed marijuana totaling nearly 900 kilograms being shipped to South Thailand and Malaysia and Thai currency equivalent to \$50,000 during raids that were linked to the same nationwide crime network. In January 2005, the U.S. Attorney's Office for the Eastern District of New York unsealed federal indictments against eight United Wa State Army (UWSA) leaders for conspiracy to possess, manufacture, or distribute heroin and methamphetamine. These indictments were the product of a long-term initiative led by the DEA, with the cooperation of several branches of the Royal Thai Police.

Another policy that has encouraged more efficient interdiction efforts is a public rewards system that remains in place. ONCB has reserved a special fund to pay informants for tips that lead to the arrest/conviction of drug traffickers. To date, the fund has paid out more than 18.75 million Baht

(about \$457,320) to citizens who have supplied valuable information via a phone “hotline” in Bangkok.

Thai law enforcement authorities have begun to focus on ‘larger-picture’ money laundering investigations, to include international wire transfers and cooperation with foreign banks. Such initiatives greatly complement DEA’s desire to “follow the money.” Also of importance, Thai authorities in 2005 conducted a wiretap that produced intelligence used in the U.S. courts—the first such instance to be used in legal proceedings outside of Thailand. This significant instance of cooperation clearly demonstrates Thailand’s commitment to combating and overcoming international and transnational drug trafficking.

Corruption. As a matter of official policy, the RTG neither encourages nor facilitates illicit production or distribution of narcotic or psychotic drugs, or other controlled substances, or the laundering of proceeds from illegal transactions, nor does the RTG tolerate senior officials who engage any such activity. There is no evidence that any equipment made available by U.S. State Department assistance has been misused. Public corruption is nonetheless recognized by Thai society as a serious problem. Low public sector salaries, a cultural acquiescence in the culture of bribery, and a historical deference to elites combine to confound anticorruption efforts in Thai society. In 2005, the RTG continued its “war against corruption” that was announced by the Prime Minister in September 2004. Charges of malfeasance against the RTG’s main anticorruption organ, the 9-member National Counter Corruption Commission (NCCC), hampered this campaign. Following an extended period of public debate, the Thai Supreme Court ruled that members abused their authority by awarding themselves certain pay increases. Commission members subsequently resigned, adding to a growing backlog of investigations. Despite this setback, Thai authorities have pursued graft cases with some notable success. Two officers were dismissed from the police force after their arrest for possession of 2,000 methamphetamine tablets. The accused denied the charges, claiming they had the pills only for use in a reverse sting operation (which was apparently unknown to their superiors). Police investigators also undertook an investigation in this case of superiors for possible negligence of duty. Another arrest resulted in suspension from duty of a sergeant-major after his van was seized by Burmese authorities while allegedly being used to smuggle 10,000 methamphetamine pills into Thailand. Thirteen other Thai nationals were also arrested by the Burmese in this incident. In a third instance, a police disciplinary panel recommended the dismissal of 22 police officers from a northern Thai district station for alleged involvement in the drug trade. Despite often ample evidence of complicity, corrupt officials are rarely actually charged with criminal violations. Rather, they are reassigned or lose their official positions in high-profile cases.

Agreements and Treaties. Thailand is a party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 UN Single Convention as amended by its 1972 Protocol. Thailand has signed, but has not yet ratified, the UN Convention Against Corruption and the UN Convention Against Transnational Organized Crime. Thailand scrupulously honors its 1992 extradition treaty with the United States and continued its policy of excellent cooperation in extraditing persons (including Thai citizens) to the U.S. to face illicit drug charges. Multiple extraditions occurred in 2004 but the number declined in 2005 due to fewer defendants eligible for extradition. In January 2005, one defendant was extradited for violations of conspiracy, distribution, importation, and possession of anabolic steroids (via the Internet). Several other extradition requests are pending for likely movement in 2006.

Cultivation and Production. Opium poppy has traditionally been cultivated in Mae Hong Son, Chiang Mai, Chiang Rai, Nan, and Phayao provinces of northern Thailand, the eastern Shan State of Burma, and in northwest Laos. Every year since 1999, the annual USG survey has found that harvestable opium poppy cultivation in Thailand has been less than the 1,000 hectares (about 2,500 acres) that is the statutory definition of a “major” source country for opium cultivation. Indeed, Thailand has for some time been a net importer of opium. The small quantities of opium that are

actually produced cannot support domestic needs in traditional opium smoking ethnic regions or sustain heroin production. Small pockets of local cultivation continue, usually by hill tribespersons attempting to supplement their meager incomes or to supply their own consumption needs. Marijuana has historically been cultivated across wide regions of northern and southern Thailand, and to a lesser extent in rural northern Thailand, but these crops are largely for local consumption. No significant developments or major marijuana growth were noted in 2005.

Drug Flow/Transit. Thailand remains a transit country for quantities of heroin and methamphetamine entering the international marketplace, including to a lesser extent the United States. Additionally, quantities of precursor and essential chemicals pass through Thailand en route to major international drug trafficking organizations in Burma. Much of the heroin leaving Thailand ends up in Taiwan, Australia and other countries. Several crime organizations ship heroin to New York, New Jersey, Chicago and other Midwestern cities, the Pacific Northwest and California, but not in quantities which have a significant impact on the U.S. market. International drug trafficking organizations also flood Thailand with methamphetamine tablets, and have more recently begun supplying Ice.

Multi-hundred-kilogram shipments of marijuana are seized each year in Thailand that are intended for export to Europe and the U.S. Most is of Lao origin, but some originates in Cambodia and Thailand. There has been some importation of cocaine into Thailand from South America (mostly Brazil, Peru and Bolivia) for local use or transshipment to Taiwan, Japan and elsewhere in Asia. Ecstasy trafficking in Thailand is small-scale, as higher prices restrict the market, though ecstasy use is increasing in the major cities of the country. Another illicit drug trend in Thailand is marketing of steroids and other pharmaceuticals. Within the past two years, crime organizations have begun selling pharmaceuticals over the Internet to U.S. buyers, reportedly in the millions of dosage units. International drug trafficking organizations also flood Thailand with methamphetamine tablets, and have more recently begun supplying crystal methamphetamine (“Ice”), most of which passes through Thailand to international markets.

Heroin and methamphetamine are increasingly entering the northeastern portion of the Kingdom from Laos, either via overland transit or by small boat across the Mekong River. Traffickers also cross the Mekong into Cambodia with cargoes of illicit drugs. Some quantities of methamphetamine and heroin are transshipped from Burma through Laos directly into Cambodia, completely by-passing northern Thailand. Some of these drugs then enter through Thailand through the lengthy, vulnerable borders with Cambodia. Heroin continues to depart Thailand for international markets in an assortment of routes and methods. In early 2005, four Kazakh men were arrested carrying 2.8 kilograms of heroin in their stomachs as they attempted to depart for an unspecified third country. Three Malaysian males were arrested as they attempted to smuggle heroin to Malaysia in condoms they had swallowed. Later in the year, six Taiwanese males were arrested in two separate incidents. In one, four were arrested after police found 8.4 kilograms of heroin in 24 parcels being transported in the back of their car in Chiang Rai Province’s Mae Sai District. The other two were found to be smuggling about one-third of a kilogram of heroin sewn into the shoulder pads of their suits; they were detained as they attempted to board a plane for Taipei.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. In September 2005 the U.S. and Thailand signed a Letter of Agreement that provides \$2.58 million in cooperative assistance, including \$1.42 million for continued operation of the International Law Enforcement Training Academy (ILEA) in Bangkok which provides training to government officials and police officers from 20 regional countries. nonILEA dedicated funds from this agreement will be used to conduct a year long program of bilateral courses and seminars to benefit Thai law enforcement and government agencies, training visits by U.S. law enforcement professionals, and purchases of nonlethal equipment and other commodities to target illicit drug and organized crime

capacity. Training and seminars will include the following areas: Drug law enforcement; criminal justice sector development, utilizing the services of an Assistant U.S. Attorney currently on detail to the Embassy Bangkok NAS office; a grant to the American Bar Association's Asian Program office to conduct a series of senior level seminars aimed at countering official corruption; demand reduction, which includes continued support to effective crop substitution programs in northern Thailand that benefit hill tribe farmers; and DEA support programs to vetted police counternarcotics units that facilitate U.S. investigation and interdiction efforts within and outside of Thailand.

The Road Ahead. The U.S. will work to maintain close cooperation with Thailand on illicit drug and international crime control issues. Extradition and mutual legal assistance, casework cooperation, and investigative collaboration between law enforcement authorities will remain strong. Regional cooperation and technical skills to fight transnational crime and narcotics trafficking will be promoted through the continued operation of ILEA/Bangkok. The Department of Defense's Joint Interagency Task Force West will continue to support the training of Thailand's counternarcotics forces through land based and maritime-based training events. In 2006, basic law enforcement training will be integrated into several of the counternarcotics training events. Beyond the regionally-focused ILEA training programs, additional crime-fighting skills and forensic training programs will be developed for Thai participants in recognition of the new law enforcement challenges faced by Thailand. Collaborative efforts with the RTG to prevent, control, disclose and punish public corruption will remain a U.S. Mission priority, and will continue to utilize resources and dedicated personnel from the U.S. Department of Justice as well as private sector organizations such as the American Bar Association.

Vietnam

I. Summary

The Government of Vietnam (GVN) continued to make progress in its counternarcotics efforts during 2005. Specific actions included: sustained efforts of counternarcotics law enforcement authorities to pursue drug traffickers; increased attention to interagency coordination; continued cooperation with the United Nations Office on Drugs and Crime (UNODC); increased attention to both drug treatment and harm reduction; continued public awareness activities; and additional bilateral cooperation on HIV/AIDS. The U.S. and Vietnam continued to implement training and assistance projects under the counternarcotics Letter of Agreement (LOA). Operational cooperation with DEA's Hanoi Country Office (HCO) continued to lag behind expectations, but was improved over 2004 with some positive cooperation reported. Vietnam is a party to the 1988 UN Drug Convention. In 2005, Vietnam was removed from the list of major drug-producing countries, because actual drug cultivation clearly fell below the 1,000-hectare threshold for Majors.

II. Status of Country

The GVN claims less than 50 hectares of opium under cultivation nationwide and official UNODC statistical tables no longer list Vietnam separately in drug production analyses. Cultivation in Vietnam probably accounts for about one percent of cultivation in Southeast Asia, according to a law enforcement estimate; DEA has no evidence of any Vietnamese-produced narcotics reaching the United States. There appear to be small amounts of cannabis grown in remote regions of southern Vietnam. Vietnam has not been considered a confirmed source or transit country for precursors. In an effort to support Vietnam's efforts to enhance its precursor control capacity, the GVN and UNODC are cooperating on a project titled "Interdiction and Seizure Capacity Building with Special Emphasis on ATS and Precursors." Implementation of that project continued successfully into 2005 with the creation of counternarcotics interagency task forces in six "hotspot" provinces.

In 2005, the GVN continued to view the Golden Triangle as the source for most of the heroin supplied to Vietnam. The GVN also perceives close connections between Vietnamese and foreign traffickers. GVN authorities are particularly concerned about rising ATS use, and also ecstasy abuse, among urban youth. During 2005, the GVN increased the tempo of enforcement and awareness programs that they hope will avoid a youth synthetic drug epidemic. Despite some high-profile successes in 2005, lack of training, resources and experience, both among law enforcement and judicial officials, continues to plague Vietnamese counternarcotics efforts. Resource constraints are pervasive, and GVN counternarcotics officials note that Vietnam, a developing country, will face resource constraints for the foreseeable future. Drug laws remain very tough in Vietnam. For possession or trafficking of 600 grams or more of heroin, or 20 kilograms of opium gum or cannabis resin, the death penalty is mandatory. Foreign law enforcement sources do not believe that major trafficking groups have moved into Vietnam. Relatively small groups comprised of between 5 to 15 individuals who are often related to each other, usually do most narcotics trafficking. DEA believes that as Vietnam becomes a more attractive transit country, larger trafficking groups could become more prominent.

With the exception of the recently signed counternarcotics LOA, the USG has no extradition, mutual legal assistance or precursor chemical agreements with Vietnam. The LOA includes three specific counternarcotics training projects. An update to the LOA will add additional projects and funding. Following a November 2005 meeting between the U.S. Embassy, FBI, DEA and MPS (Ministry of Public Security) officials in Hanoi, both sides are at work on new legal documents to improve the framework for counternarcotics and law enforcement cooperation.

III. Country Actions Against Drugs in 2005

Policy Initiatives. The structure of the GVN's counternarcotics efforts is built around the National Committee on AIDS, Drugs and Prostitution Control (NCADP), which includes a broad spectrum of GVN ministries and people's organizations. In addition, MPS, as NCADP's standing member, has a specialized unit to combat and suppress drug crimes. According to the UNODC, the GVN intensified its attention to the drug issue in 2005, including increased attention from the State-controlled media and additional GVN-funded training courses. Many provinces and cities implemented their own drug awareness and prevention programs, as well as demand reduction and drug treatment. The GVN continues to view drug awareness and prevention as a vital tool and a significant objective in its fight against drugs, as well as an integral part of its effort to comply fully with the 1988 UN Drug Convention. The GVN has continued to rely heavily on counternarcotics propaganda, culminating in the annual drug awareness week in June 2005, and other MPS-identified drives throughout the year. Officially sponsored activities cover every aspect of society, from schools to unions to civic organizations and government offices. In 2005, the GVN extended its 2004 effort to de-stigmatize drug addicts in order to increase their odds of successful treatment, and to help in controlling the spread of HIV/AIDS. Enforcement played a major role in the GVN's 2005 counternarcotics activities as well. This year, in addition to significant drug seizures and busts in Ho Chi Minh City and Hanoi, MPS cracked the country's biggest ever case in Phu Tho Province, and recorded large seizures in other provinces throughout the country. As of the end of 2005, there were 12 implementing decrees for the national law on drug suppression, drafted with the assistance of the UNODC. According to the UNODC, these decrees still require implementing regulations to allow law enforcement authorities to use techniques such as controlled deliveries, informants and undercover officers. There was another increase in the per-case quantity of drugs seized. According to MOLISA (Ministry of Labor and Social Affairs), the drug addiction recidivism rate after treatment is still high, at least 85 percent. As of September, there were 170,000 officially identified drug users nationwide with 83 treatment centers providing treatment to between 55,000 and 60,000 drug addicts annually. The number of "unofficial" (i.e., officially unacknowledged) drug users is much higher.

In March 2005, Prime Minister Phan Van Khai approved the national drug control master plan through 2010. Under the new master plan, there are six areas of priority technical assistance, including law enforcement, treatment, demand reduction, supply reduction, legislation and capacity enhancement, as well as building the legal framework on money laundering and precursor control. The GVN continues to look for assistance from foreign donors in these areas. The 2005 national-level budget for drug control reached approximately \$13.5 million. However the actual spending on all counternarcotics activities is higher when contributed funding from localities, and other funding sources throughout the country are factored in. As in past years, observers, nevertheless, agreed that overall lack of resources continued to be a major constraint in counternarcotics activities. All foreign law enforcement representatives in Vietnam acknowledged that real operational cooperation on counternarcotics cases is minimal or nonexistent due to legal prohibitions against foreign security personnel operating on Vietnamese soil. Without changes in Vietnamese law to permit foreign law enforcement officers to work on drug cases in Vietnam, "cooperation" will remain a function of information exchange and Vietnamese police carrying out law enforcement activities on behalf of foreign agencies on a case-by-case basis. USG law enforcement agencies hold out some hope that the development of agency-to-agency agreements will improve the cooperation climate slightly. During 2005, cooperation between GVN law enforcement authorities and DEA's Hanoi country office marginally improved, although DEA agents have not been permitted officially to work with GVN counternarcotics investigators. Cooperation was limited to receiving information and investigative requests from DEA, holding occasional meetings and providing limited responses to DEA's requests. Thus far, counternarcotics police have declined to share detailed information with DEA or cooperate operationally. DEA did receive unprecedented cooperation on two undercover money laundering operations where MPS provided an undercover officer to pick up alleged drug money that was remitted to Vietnam through a

money laundering organization in the United States. However, despite requests made by DEA, MPS provided no investigation information on the organizations or businesses that facilitated the illegal money remittance in Vietnam.

Accomplishments. In 2005, the GVN approved a capacity strengthening program in the General Department of Customs, and established a counternarcotics task force within the Department of Coast Guard. This department is to coordinate the counternarcotics effort at sea. Also, during the drug awareness month of held in June 2005, MPS launched Vietnam's first official counternarcotics website "www.phongchongmatuy.com.vn". In addition to significant achievements in counternarcotics awareness campaigns in 2005, the GVN has tried to educate 100 percent of the localities throughout the country about drugs in the hope that at least 80 percent of the population will be made aware of the dangers of addictive drugs.

Law Enforcement Efforts. Seizures of opium, heroin, and amphetamine-type stimulants (ATS) increased during the reporting period. According to GVN statistics, during the first ten months of calendar year 2005, there were 9,936 drug cases involving 15,018 traffickers. Total seizures include 256 kilograms of heroin, 55.1 kilograms of opium, 3,339 kilograms of cannabis, 33,756 ATS tablets and 5,012 ampoules of addictive pharmaceuticals and other substances, representing double digit percentage increases over previous years.

Corruption. During 2005, the GVN continued to demonstrate determination and to mobilize the "entire political system" to combat corruption. Vietnam's first, specific anticorruption law was passed during the Fall National Assembly session. Under the new law, Prime Minister Phan Van Khai was appointed "Commander in Chief" of the Anti-Corruption Committee. Journalists' Association President Hong Vinh urged local reporters to provide in-depth coverage of the fight against corruption. No information specifically links senior GVN officials with engaging in, encouraging or facilitating the illicit production or distribution of drugs or substances, or the laundering of proceeds from illegal drug transactions. Nonetheless, a certain level of corruption, both among lower level enforcement personnel and higher level officials, is consonant with fairly large-scale movement of narcotics into and out of Vietnam. The GVN did demonstrate a willingness in 2005 to prosecute officials, though the targets were relatively low-level. Past GVN estimates stated that as much as 19 percent of the investment in major infrastructure projects is lost to poor management and corruption, indicating the pervasive nature of corruption, and giving some sense of its scale. Vietnam has signed, but has not yet ratified, the UN Convention against Corruption. Vietnam also endorsed a regional anticorruption action plan at an Asian Development Bank-Organization for Economic Co-operation and Development Anti-Corruption Initiative meeting in Manila in July 2004.

Agreements/Treaties. Vietnam is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by the 1972 Protocol and the 1971 UN Convention on Psychotropic Substances. Vietnam has signed, but has not yet ratified the UN Convention Against Corruption.

Cultivation/Production. The GVN and the UNODC confirm that small amounts of opium are grown in hard-to-reach upland and mountainous regions of some northern, northwestern and central provinces, especially Son La, Dien Bien, Yen Bai, Thanh Hoa, Cao Bang and Ha Giang provinces. The total number of hectares under opium poppy cultivation has been reduced sharply from an estimated 12,900 hectares in 1993, when the GVN began opium poppy eradication, to 12.9 hectares in 2005. UNODC and law enforcement sources do not view production as a significant problem in Vietnam. There have been recent confirmed reports that ATS is produced in Vietnam. GVN law enforcement forces have seized some ATS-related equipment (i.e., pill presses). As part of its efforts to comply fully with the 1988 UN Drug Convention, the GVN continued in 2005 to eradicate poppy when found, and to implement crop substitution. GVN officials have admitted that complete eradication is probably unrealistic, given the remoteness of mountainous areas in the northwest and extreme poverty among ethnic minority populations who sometimes still use opium for medicinal

purposes. The GVN's Ministry of Agriculture and Rural Development (MARD) continues to support crop substitution projects in various provinces. During the reporting year, MARD developed a national crop substitution program to include in the GVN's approved 2006-2010 Master Plan.

Drug Flow/Transit. While law enforcement sources and the UNODC believe that significant amounts of drugs are transiting Vietnam, DEA has not yet identified a case of heroin entering the United States directly from Vietnam. More commonly, drugs, especially heroin and opium, enter Vietnam from the Golden Triangle via Laos and Cambodia, making their way to Hanoi or Ho Chi Minh City, where they are transhipped to other countries such as Australia, Japan, China, Taiwan and Malaysia. The Australia-Vietnam heroin smuggling channel is significant. The ATS flow into the country during 2005 continued to be serious and not limited to border areas. ATS can now be found throughout the country. ATS such as methamphetamine, amphetamine, diazepam, ecstasy and ketamine continue to worry the government. Such drugs are most popular in Hanoi, Ho Chi Minh City and other major cities. In May and June, thousands of discotheques, karaoke bars and cafes, mainly in Hanoi and Ho Chi Minh City, were raided in a sweep targeting ATS consumption. Beyond the nightclub raids, police discovered several cases of amphetamine powder and ice (crystal methamphetamine) possession, presumably for consumption in Ho Chi Minh City.

Domestic Programs/Demand Reduction. The Ministry of Culture and Information (MOCI) is responsible for public drug control information and education among the general population. During 2005, MOCI continued to coordinate with other ministries and organizations to conduct awareness campaigns on HIV/AIDS and drugs. The Ministry of Education and Training (MOET) carries out awareness activities in schools. Counternarcotics material is available in all schools and MOET sponsors various workshops and campaigns at all school levels. SODC reported that the border forces continued to play an "active role" in disseminating counternarcotics information to border villages and communes. The UNODC views GVN drug awareness efforts in 2005 "somewhat stronger" than in 2004, while assessing that Vietnam has already done a "good job" in this endeavor. According to the UNODC, however, these efforts have had minimal impact on the existing addict and HIV/AIDS population. Behavior modification is still a problematic issue for the GVN. The UNODC believes that the challenge for Vietnam is to implement awareness campaigns more regularly at the grassroots level and encourage the participation of the youth population.

Vietnam has a network of drug treatment centers. There are now 83 centers at the provincial level that are capable of accommodating between 55,000 and 60,000 admissions a year. Vietnam has also strived to integrate addiction treatment and vocational training to facilitate the rehabilitation of drug addicts. Ho Chi Minh City is the pioneer in this campaign. These efforts include tax and other economic incentives for businesses that hire recovered addicts. Despite these efforts, at most 18 percent of recovered addicts find regular employment.

HIV/AIDS is a serious and growing problem in Vietnam. The epidemic is closely related to intravenous drug use and commercial sex work. Injection drug users (IDUs), commercial sex workers (CSWs), CSWs who are also IDUs, men who have sex with men and sex partners of IDU and CSWs are most-at-risk populations in Vietnam. At least 60 percent of known HIV cases are IDUs. The result from a 2004 national sentinel surveillance indicated a 29 percent HIV prevalence among IDUs. However, in some provinces the HIV prevalence is reported at higher than 70 percent. The Vietnamese National Strategy for HIV prevention and Control, launched in March 2004, presents a comprehensive response to the HIV situation. Apart from Information-Education-Communication, major components of the strategy include risk reduction, condom promotion, clean needle and syringe programs, voluntary counseling and testing and HIV/AIDS treatment and care.

In June 2004 Vietnam was designated the 15th focus country of PEPFAR (President Emergency Plan for AIDS Relief). The USG's funding for FY05 is about \$27.5 million. The Emergency Plan will support existing agencies working in HIV/AIDS in Vietnam, including USAID, HHS/CDC, DOL

(Labor) and DOD (Defense). Under PEPFAR, the USG supports Vietnam's effort to develop a comprehensive HIV/AIDS program emphasizing not only treatment, but also prevention, care and support. Although the concentration is on the six highest HIV/AIDS prevalence provinces, the PEPFAR program also set up voluntary consulting and testing centers in 40 other provinces of Vietnam. By the end of 2006, an estimated 18,000 drug users will be eligible for release from some 19 rehabilitation centers serving the HCMC area. It is believed that approximately 60 percent of these individuals will be HIV positive. In order to facilitate successful transition of residents to their home communities, the PEPFAR team is developing a pilot project to provide HIV care and treatment, drug relapse prevention, and other services. Focusing on two HCMC area centers, the project includes in-center services (subject to Congressional approval) and other interventions targeting four HCMC districts. All plans are being coordinated with the HCMC Provincial AIDS Committee (PAC).

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. In 2003, Vietnam and the United States completed and signed a bilateral counternarcotics agreement (LOA), which came into force in 2004. It represents the first direct bilateral counternarcotics program assistance to Vietnam. The USG currently funds training annually for some GVN law enforcement officers and other officials involved in the legal arena for courses at the International Law Enforcement Academy (ILEA) in Bangkok. Between November 2004 and September 2005, using State Department law enforcement assistance, 70 law enforcement officers attended the Academy for training. In late 2004 and early 2005, USG trainers journeyed to Vietnam to present counternarcotics training under the terms of the US-Vietnam LOA, mentioned above. The USG also contributes to counternarcotics efforts through the UNODC. In 2004, the USG made contributions to two projects: "Measures to Prevent and Combat Trafficking in Persons in Vietnam," and "Interdiction and Seizure Capacity Building with Special Emphasis on ATS and Precursors." The ATS project achieved its main goals in 2004 with the signing of an interagency MOU and the establishment of six Vietnamese interagency task forces at key border "hotspots" around the country. Given the example of Thailand, where ATS abuse has had a devastating impact, the GVN and the international community are anxious to respond forcefully to any sign that ATS abuse might be emerging as a problem in Vietnam.

The Road Ahead. The GVN is acutely aware of the threat of drugs and Vietnam's increasing domestic drug problem. However, there is continued suspicion of foreign law enforcement assistance and/or intervention, especially from the United States, in the counternarcotics arena. During 2005, as in previous years, the GVN made progress with ongoing and new initiatives aimed at the law enforcement and social problems that stem from the illegal drug trade. Notwithstanding a lack of meaningful operational cooperation with DEA, the GVN continued to show a willingness to take unilateral action against drugs and drug trafficking. Vietnam still faces many internal problems that make fighting drugs a challenge. With the entry into force of the counternarcotics LOA, the USG can look forward to enhanced cooperation in the area of assistance to Vietnamese law enforcement agencies. Operational cooperation, however, remains on hold pending the development of a legal framework in Vietnam to allow foreign law enforcement officers to carry out operations on Vietnamese soil, or the signing of a bilateral agreement between the United States and Vietnam that would create a mechanism for joint investigation and development of drug cases.

